

CITY OF BROWNWOOD, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2024**

CITY OF BROWNWOOD, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2024

**Page
Number**

FINANCIAL SECTION

| | |
|--|---------|
| Independent Auditor's Report..... | 1 – 3 |
| Management's Discussion and Analysis..... | 4 – 8 |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Position | 9 – 10 |
| Statement of Activities | 11 – 12 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 13 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position..... | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds..... | 15 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 16 |
| Statement of Net Position – Proprietary Funds | 17 – 18 |
| Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds | 19 – 20 |
| Statement of Cash Flows – Proprietary Funds..... | 21 – 22 |
| Notes to Financial Statements | 23 – 49 |
| Required Supplementary Information | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund..... | 50 |
| Reconciliation for General Fund – Budget vs GAAP Presentation | 51 – 52 |
| Schedule of Changes in TMRS System Plan 10190 Net Pension Liability and Related Ratios..... | 53 – 54 |
| Schedule of Firefighter's Relief and Retirement Funds Net Pension Liability and Related Ratios | 55 – 56 |
| Schedule of the TMRS System Plan 30190 Net Pension Liability and Related Ratios..... | 57 – 58 |

| | |
|--|---------|
| Schedule of Firefighter’s Relief and Retirement Fund Schedule of Contributions..... | 59 – 60 |
| Schedule of TMRS Plan 10190 Schedule of Contributions | 61 – 62 |
| Schedule of TMRS Plan 3109 Health Department Schedule of Contributions..... | 63 – 64 |
| Notes to Required Supplementary Information..... | 65 |
| Combining and Individual Fund Statements and Schedules | |
| Combining Balance Sheet – Non-Major Governmental Funds | 66 – 67 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds | 68 – 69 |
| COMPLIANCE SECTION | |
| 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 <i>Government Auditing Standards</i> | 70 - 71 |
| Independent Auditor’s Report on Compliance for Each Major Federal Program, and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance | 72 - 74 |
| Schedule of Expenditures of Federal Awards | 75 - 76 |
| Notes to Schedule of Expenditure of Federal Awards | 77 |
| Schedule of Findings and Questioned Costs..... | 78 |
| Summary Schedule of Audit Findings | 79 |
| Summary Schedule of Prior Year Findings..... | 80 |

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brownwood, Texas (the "City"), as of and for the year ended September 30, 2024, 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 our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2024, 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

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

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2024, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*. Our opinions are not modified with respect to this matter.

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's 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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 GAAS 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 GAAS and *Government Auditing Standards*, we:

- 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's 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are 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 we 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, budgetary comparison information, and pension information, as listed in the table of contents, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statements and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 our opinion, the combining fund financial statements and the Schedule of Expenditures of Federal Awards is 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*, we have also issued our report dated June 27, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 27, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

As management of the City of Brownwood (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$60,468,706 (net position). Of this amount, (\$683,667) (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation.
- The City's total net position increased by \$3,600,833, primarily caused by increases to property tax revenues as well as utility charges for services.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,281,739.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* 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. The *business-type activities* of the City include water, sewer and sanitation operations 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.

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

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

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

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other seven governmental funds are combined into a single aggregation presentation.

- **Proprietary Funds.** The City maintains one category of *proprietary funds*-Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its utility, sanitation and airport operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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 immediately follow the basic financial statements.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, and information concerning the City's net pension liability.

Combining and individual fund statements and schedules are presented following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$60,468,706 as of September 30, 2024.

The largest portion of the City's net position, \$59,880,804 (99.03%) reflects its investments in capital assets (e.g., land, buildings, improvements, machinery/equipment, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$1,271,569 (2.10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of (\$683,667) (-1.13%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2024, the City was able to report positive balances in two categories of net position for both governmental activities and business-type activities. The following table shows the condensed Statement of Net Position for the City for the current and prior fiscal years:

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Current and other assets | \$ 7,208,194 | \$ 15,213,396 | \$ 22,340,539 | \$ 16,679,798 | \$ 29,548,733 | \$ 31,893,194 |
| Capital assets | <u>52,857,015</u> | <u>47,857,773</u> | <u>36,455,323</u> | <u>37,593,656</u> | <u>89,312,338</u> | <u>85,451,429</u> |
| Total assets | <u>60,065,209</u> | <u>63,071,169</u> | <u>58,795,862</u> | <u>54,273,454</u> | <u>118,861,071</u> | <u>117,344,623</u> |
| Deferred outflows of resources | <u>4,608,152</u> | <u>5,703,516</u> | <u>730,194</u> | <u>1,569,018</u> | <u>5,338,346</u> | <u>7,272,534</u> |
| Long-term liabilities | 26,896,999 | 28,994,558 | 29,814,157 | 32,177,491 | 56,711,156 | 61,172,049 |
| Other liabilities | <u>3,402,444</u> | <u>5,778,263</u> | <u>1,483,226</u> | <u>1,377,100</u> | <u>4,885,670</u> | <u>7,155,363</u> |
| Total liabilities | <u>30,299,443</u> | <u>34,772,821</u> | <u>31,297,383</u> | <u>33,554,591</u> | <u>61,596,826</u> | <u>68,327,412</u> |
| Deferred inflows of resources | <u>1,969,047</u> | <u>399,981</u> | <u>164,838</u> | <u>106,255</u> | <u>2,133,885</u> | <u>506,236</u> |
| Net position: | | | | | | |
| Net investment | | | | | | |
| in capital assets | 41,946,999 | 36,476,458 | 17,933,805 | 15,631,955 | 59,880,804 | 52,108,413 |
| Restricted | 1,271,569 | 1,059,053 | - | 1,174,192 | 1,271,569 | 2,233,245 |
| Unrestricted | <u>(10,813,697)</u> | <u>(3,933,628)</u> | <u>10,130,030</u> | <u>5,375,479</u> | <u>(683,667)</u> | <u>1,441,851</u> |
| Total net position | <u>\$ 32,404,871</u> | <u>\$ 33,601,883</u> | <u>\$ 28,063,835</u> | <u>\$ 22,181,626</u> | <u>\$ 60,468,706</u> | <u>\$ 55,783,509</u> |

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2024. Governmental activities decreased the City's net position by (\$994,210). Business-type activities increased the City's net position by \$4,595,043. The following table shows the condensed Statement of Activities for the current and prior fiscal years:

| | Governmental Activities | | Business-type Activities | | Totals | |
|------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 4,558,608 | \$ 3,233,641 | \$ 22,259,828 | \$ 20,140,465 | \$ 26,818,436 | \$ 23,374,106 |
| Operating grants and contributions | 3,909,858 | 2,786,233 | - | - | 3,909,858 | 2,786,233 |
| Capital grants and contributions | 3,568,472 | 7,533,772 | 345,209 | 49,109 | 3,913,681 | 7,582,881 |
| General revenues: | | | | | | |
| Property taxes | 8,219,332 | 7,918,217 | - | - | 8,219,332 | 7,918,217 |
| Sales taxes | 7,072,866 | 7,393,146 | - | - | 7,072,866 | 7,393,146 |
| Other taxes | 4,187,677 | 4,197,211 | - | - | 4,187,677 | 4,197,211 |
| Investment income | 694,140 | 759,145 | 687,765 | 547,651 | 1,381,905 | 1,306,796 |
| Miscellaneous | 30,829 | 58,800 | 129,118 | 127,698 | 159,947 | 186,498 |
| Gain on disposal of assets | 111,028 | 149,334 | - | 100,000 | 111,028 | 249,334 |
| Transfers | - | (543,527) | - | 543,527 | - | - |
| Total revenues | <u>32,352,810</u> | <u>33,485,972</u> | <u>23,421,920</u> | <u>21,508,450</u> | <u>55,774,730</u> | <u>54,994,422</u> |
| Expenses: | | | | | | |
| General government | 5,392,380 | 6,690,952 | - | - | 5,392,380 | 6,690,952 |
| Public safety | 11,652,332 | 10,583,605 | - | - | 11,652,332 | 10,583,605 |
| Community services | 8,331,825 | 4,749,922 | - | - | 8,331,825 | 4,749,922 |
| Public works | 3,351,898 | 2,943,398 | - | - | 3,351,898 | 2,943,398 |
| Parks and recreation | 4,362,413 | 2,126,599 | - | - | 4,362,413 | 2,126,599 |
| Utility | - | - | 11,012,727 | 9,389,645 | 11,012,727 | 9,389,645 |
| Sanitation | - | - | 6,516,246 | 5,831,646 | 6,516,246 | 5,831,646 |
| Airport | - | - | 1,297,904 | 1,513,608 | 1,297,904 | 1,513,608 |
| Debt issuance costs | - | - | - | 88,550 | - | 88,550 |
| Interest on long-term debt | <u>256,172</u> | <u>808,790</u> | <u>-</u> | <u>754,527</u> | <u>256,172</u> | <u>1,563,317</u> |
| Total expenses | <u>33,347,020</u> | <u>27,903,266</u> | <u>18,826,877</u> | <u>17,577,976</u> | <u>52,173,897</u> | <u>45,481,242</u> |
| Change in net position | <u>(994,210)</u> | <u>5,582,706</u> | <u>4,595,043</u> | <u>3,930,474</u> | <u>3,600,833</u> | <u>9,513,180</u> |
| Net position, beginning | 33,601,883 | 28,019,177 | 22,181,626 | 18,251,152 | 55,783,509 | 46,270,329 |
| Adjustments | <u>(202,802)</u> | <u>-</u> | <u>1,287,166</u> | <u>-</u> | <u>1,084,364</u> | <u>-</u> |
| Net position, ending | <u>\$ 32,404,871</u> | <u>\$ 33,601,883</u> | <u>\$ 28,063,835</u> | <u>\$ 22,181,626</u> | <u>\$ 60,468,706</u> | <u>\$ 55,783,509</u> |

Financial Analysis of the City's 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 spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported ending fund balances of \$3,281,739. (\$87,127) or (2.65%) of this total amount constitutes unassigned fund balance. The remainder of the fund balance is either non-spendable, restricted or assigned to indicate that it is not available for new spending. The most significant restrictions include \$405,263 for tourism promotion, and \$465,520 restricted for grant expenditures.

The General Fund is the primary operating fund of the City. The General Fund's fund balance decreased by \$5,260,116. This was primarily caused by planned capital expenditures funded by existing fund balance reserves. In contrast, expenditures were relatively flat year-over-year, with modest increases resulting primarily from salary raises and increased cost of supplies.

Proprietary funds. As mentioned earlier, the City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

At September 30, 2024, the proprietary funds had \$28,063,835 in unrestricted net position and total net position increased by \$4,595,043. The increase in net position was largely due to increases in charges for services revenue from increased demand for services.

General Fund Budgetary Highlights. Actual revenues exceeded budget by \$1,535,947 mainly due to increases in investment income and the receipt of several grants mentioned previously. Expenditures were higher than appropriations by (\$2,580,437) primarily due to expenditures made under federal grants that were not reflected in the budget. The reimbursement of these grants was the primary driver of the revenue excess discussed above.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024, was \$89,312,338 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, landfill cell development, machinery/equipment, intangible assets, leased equipment, SBITAs, and construction in progress.

Capital Assets at Year-end, Net of Accumulated Depreciation

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Land | \$ 3,098,551 | \$ 3,098,551 | \$ 383,351 | \$ 383,351 | \$ 3,481,902 | \$ 3,481,902 |
| Buildings | 17,502,449 | 17,493,477 | 3,597,807 | 3,467,622 | 21,100,256 | 20,961,099 |
| Improvements | 68,411,055 | 67,764,333 | 86,232,514 | 85,899,703 | 154,643,569 | 153,664,036 |
| Landfill cell development | - | - | 20,024,557 | 12,836,858 | 20,024,557 | 12,836,858 |
| Machinery/equipment | 13,232,764 | 12,153,458 | 13,376,469 | 12,235,907 | 26,609,233 | 24,389,365 |
| Intangible assets | 1,347,755 | 1,347,755 | 493,054 | 493,054 | 1,840,809 | 1,840,809 |
| Right to use equipment | 2,363,846 | 2,047,978 | 411,051 | 249,228 | 2,774,897 | 2,297,206 |
| Right to use subscriptions | 171,393 | 114,704 | 13,420 | 13,420 | 184,813 | 128,124 |
| Construction in progress | 17,269,680 | 11,418,764 | 44,064 | 7,246,575 | 17,313,744 | 18,665,339 |
| LESS: Accumulated depreciation | (70,540,478) | (67,581,247) | (88,120,964) | (85,232,062) | (158,661,442) | (152,813,309) |
| Total | <u>\$ 52,857,015</u> | <u>\$ 47,857,773</u> | <u>\$ 36,455,323</u> | <u>\$ 37,593,656</u> | <u>\$ 89,312,338</u> | <u>\$ 85,451,429</u> |

Significant events related to capital assets during the year were primarily related to the bond-funded projects including Riverside Park, Brownwood Event Center Complex, and relocation of the Health Department, accounting for about \$5.2 million in asset additions.

Additional information on the City's capital assets can be found in the notes to the financial statements.

Debt Administration

At the end of the current fiscal year, the City had total long-term debt of \$33,625,365. This represents a decrease of \$1,568,075 from the prior year, primarily due to the repayment of long-term liabilities.

Outstanding Debt at Year End

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Certificates of obligation | \$ - | \$ - | \$ 1,065,000 | \$ 1,730,000 | \$ 1,065,000 | \$ 1,730,000 |
| General obligation bonds | 7,450,967 | 8,445,710 | 14,557,277 | 15,203,139 | 22,008,244 | 23,648,849 |
| Tax note payable | 175,985 | 233,685 | 129,015 | 171,315 | 305,000 | 405,000 |
| Notes payable | 2,343,747 | 1,635,574 | 3,816,081 | 3,803,737 | 6,159,828 | 5,439,311 |
| Leases payable | 831,486 | 989,318 | 176,610 | 106,845 | 1,008,096 | 1,096,163 |
| SBITAs | 69,304 | 77,028 | - | 6,769 | 69,304 | 83,797 |
| Compensated Absences | 2,685,630 | 2,487,803 | 324,263 | 302,517 | 3,009,893 | 2,790,320 |
| Total | <u>\$ 13,557,119</u> | <u>\$ 13,869,118</u> | <u>\$ 20,068,246</u> | <u>\$ 21,324,322</u> | <u>\$ 33,625,365</u> | <u>\$ 35,193,440</u> |

All of the outstanding Bonds of the City payable from its limited taxes are insured and are, therefore, rated "Aaa" by Moody's Investors Service Inc ("Moody's"), and "AAA" by Standard & Poor's ("S&P"). The underlying rating on all of such Bonds and other obligations payable from such source are "A1" by Moody's and "A+" by S&P.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

In the FY 2024-2025 Budget, General Fund revenues are budgeted to increase by \$1,498,504, or 7.4%, from the 2023-2024 budget year due primarily to an increase in sales tax revenue and property tax revenues driven by a 5.82% increase in certified assessed values over the preceding year.

The Enterprise Fund's 2024-2025 budgeted expenses are expected to increase by 9% over the preceding year's budget. Water base rates were increased by 2.5% and sewer rates were increased by 11% as part of a long-term plan to fund engineering costs for future planned projects.

Request for Information

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

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**BASIC
FINANCIAL STATEMENTS**

CITY OF BROWNWOOD, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

| | Primary Government | | Primary Government | Component Unit |
|---|--------------------|-------------------|--------------------|------------------|
| | Governmental | Business-type | | Brownwood |
| | Activities | Activities | Total | MDD |
| ASSETS | | | | |
| Cash and investments | \$ 1,394,121 | \$ 13,431,935 | \$ 14,826,056 | \$ 2,213,198 |
| Investments designed for closure and postclosure | - | 2,619,579 | 2,619,579 | - |
| Receivables (net of allowances for uncollectibles) | 2,823,507 | 3,200,950 | 6,024,457 | 383,469 |
| Inventory | 18,947 | 902,343 | 921,290 | - |
| Internal balances | 369,735 | (369,735) | - | - |
| Prepaid items | 5,877 | 50,841 | 56,718 | - |
| Land held for development | - | - | - | 540,577 |
| Restricted assets | 2,583,141 | 2,430,289 | 5,013,430 | - |
| Leases receivable | 12,866 | 74,337 | 87,203 | - |
| Capital assets (net of accumulated depreciation) | 52,857,015 | 36,455,323 | 89,312,338 | - |
| Total assets | <u>60,065,209</u> | <u>58,795,862</u> | <u>118,861,071</u> | <u>3,137,244</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Related to pensions | <u>4,608,152</u> | <u>730,194</u> | <u>5,338,346</u> | <u>-</u> |
| Total deferred outflows of resources | <u>4,608,152</u> | <u>730,194</u> | <u>5,338,346</u> | <u>-</u> |
| LIABILITIES | | | | |
| Accounts payable | 1,931,069 | 170,962 | 2,102,031 | 5,078 |
| Accrued salaries | 334,753 | 88,482 | 423,235 | 5,452 |
| Unearned revenue | 1,136,622 | - | 1,136,622 | - |
| Customer deposits | - | 1,223,782 | 1,223,782 | - |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Long-term debt | 3,712,557 | 3,061,699 | 6,774,256 | 300,453 |
| Due in more than one year: | | | | |
| Long-term debt | 9,844,562 | 17,006,547 | 26,851,109 | 4,222,831 |
| Estimated liability for landfill closure and postclosure care costs | - | 8,204,398 | 8,204,398 | - |
| Net pension liability | <u>13,339,880</u> | <u>1,541,513</u> | <u>14,881,393</u> | <u>-</u> |
| Total liabilities | <u>30,299,443</u> | <u>31,297,383</u> | <u>61,596,826</u> | <u>4,533,814</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF BROWNWOOD, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

| | Primary Government | | Primary Government | Component Unit |
|--------------------------------------|-------------------------|--------------------------|----------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total | Brownwood MDD |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Related to pensions | \$ 1,918,754 | \$ 89,590 | \$ 2,008,344 | \$ - |
| Related to leases | 11,766 | 75,248 | 87,014 | - |
| Related to bond refunding | <u>38,527</u> | <u>-</u> | <u>38,527</u> | <u>-</u> |
| Total deferred inflows of resources | <u>1,969,047</u> | <u>164,838</u> | <u>2,133,885</u> | <u>-</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 41,946,999 | 17,933,805 | 59,880,804 | - |
| Restricted: | | | | |
| Municipal court | 83,151 | - | 83,151 | - |
| Vehicular child safety | 23,440 | - | 23,440 | - |
| Law enforcement | 9,220 | - | 9,220 | - |
| Drug awareness education | 1,873 | - | 1,873 | - |
| Lehnis Museum | 15,833 | - | 15,833 | - |
| Beautification | 3,153 | - | 3,153 | - |
| Tourism promotion | 405,263 | - | 405,263 | - |
| Debt service | 84,507 | - | 84,507 | - |
| Fabis Park | 42,352 | - | 42,352 | - |
| Construction | 137,257 | - | 137,257 | - |
| Grant expenditures | 465,520 | - | 465,520 | - |
| Unrestricted | <u>(10,813,697)</u> | <u>10,130,030</u> | <u>(683,667)</u> | <u>(1,396,570)</u> |
| Total net position | <u>\$ 32,404,871</u> | <u>\$ 28,063,835</u> | <u>\$ 60,468,706</u> | <u>\$ (1,396,570)</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF BROWNWOOD, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | | Program Revenue | | |
|---|----------------------|-------------------------|-----------------------------|-----------------------------|
| | | | Operating | Capital |
| | Expenses | Charges for Services | Grants and Contributions | Grants and Contributions |
| Primary Government | | | | |
| Governmental activities: | | | | |
| General government | \$ 5,392,380 | \$ 1,706,082 | \$ - | \$ - |
| Public safety | 11,652,332 | 1,711,441 | 2,484,445 | 51,210 |
| Community services | 8,331,825 | 1,138,850 | 1,425,413 | 3,169,688 |
| Public works | 3,351,898 | - | - | 347,574 |
| Parks and recreation | 4,362,413 | 2,235 | - | - |
| Interest on long-term debt | <u>256,172</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total governmental activities</i> | <u>33,347,020</u> | <u>4,558,608</u> | <u>3,909,858</u> | <u>3,568,472</u> |
| Business-type activities: | | | | |
| Utility | 11,012,727 | 13,154,404 | - | 127,380 |
| Sanitation | 6,516,246 | 8,147,527 | - | - |
| Airport | <u>1,297,904</u> | <u>957,897</u> | <u>-</u> | <u>217,829</u> |
| <i>Total Business-type activities</i> | <u>18,826,877</u> | <u>22,259,828</u> | <u>-</u> | <u>345,209</u> |
| Total primary government | <u>\$ 52,173,897</u> | <u>\$ 26,818,436</u> | <u>\$ 3,909,858</u> | <u>\$3,913,681</u> |
| Component unit: | | | | |
| Brownwood Municipal Development District | <u>\$ 4,699,544</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes | | | | |
| Sales taxes | | | | |
| Other taxes | | | | |
| Investment earnings | | | | |
| Miscellaneous | | | | |
| Gain on disposal of assets | | | | |
| Total general revenues | | | | |
| Change in net position | | | | |
| Net position -- beginning, as previously reported | | | | |
| Adjustments - error correction | | | | |
| Net position -- beginning, as restated | | | | |
| Net position -- ending | | | | |

The accompanying notes are an integral part of these financial statements.

| Net (Expense) Revenue and Changes in Net Position | | | Component |
|--|-----------------------------|---------------------|--------------------|
| Primary Government | | | Unit |
| Governmental Activities | Business-Type Activities | Total | Brownwood MDD |
| \$ (3,686,298) | | \$ (3,686,298) | |
| (7,405,236) | | (7,405,236) | |
| (2,597,874) | | (2,597,874) | |
| (3,004,324) | | (3,004,324) | |
| (4,360,178) | | (4,360,178) | |
| <u>(256,172)</u> | | <u>(256,172)</u> | |
| <u>(21,310,082)</u> | | <u>(21,310,082)</u> | |
| | 2,269,057 | 2,269,057 | |
| | 1,631,281 | 1,631,281 | |
| | <u>(122,178)</u> | <u>(122,178)</u> | |
| | <u>3,778,160</u> | <u>3,778,160</u> | |
| \$ (21,310,082) | \$ 3,778,160 | \$ (17,531,922) | |
| | | | \$ (4,699,544) |
| \$ 8,219,332 | \$ - | \$ 8,219,332 | \$ - |
| 7,072,866 | - | 7,072,866 | 2,326,943 |
| 4,187,677 | - | 4,187,677 | - |
| 694,140 | 687,765 | 1,381,905 | 189,929 |
| 30,829 | 129,118 | 159,947 | - |
| <u>111,028</u> | <u>-</u> | <u>111,028</u> | <u>-</u> |
| <u>20,315,872</u> | <u>816,883</u> | <u>21,132,755</u> | <u>2,516,872</u> |
| <u>(994,210)</u> | <u>4,595,043</u> | <u>3,600,833</u> | <u>(2,182,672)</u> |
| 33,601,883 | 22,181,626 | 55,783,509 | 786,102 |
| <u>(202,802)</u> | <u>1,287,166</u> | <u>1,084,364</u> | <u>-</u> |
| <u>33,399,081</u> | <u>23,468,792</u> | <u>56,867,873</u> | <u>786,102</u> |
| \$ 32,404,871 | \$ 28,063,835 | \$ 60,468,706 | \$ (1,396,570) |

CITY OF BROWNWOOD, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 1,394,121 | \$ - | \$ 1,394,121 |
| Receivables, net | 2,383,858 | 439,649 | 2,823,507 |
| Inventory | 18,947 | - | 18,947 |
| Due from other funds | 570,455 | - | 570,455 |
| Prepaid items | 5,877 | - | 5,877 |
| Restricted assets | 2,086,609 | 496,532 | 2,583,141 |
| Leases receivable | 7,154 | 5,712 | 12,866 |
| Total assets | <u>6,467,021</u> | <u>941,893</u> | <u>7,408,914</u> |
| LIABILITIES | | | |
| Accounts payable | 1,892,383 | 38,686 | 1,931,069 |
| Accrued salaries | 310,840 | 23,913 | 334,753 |
| Due to other funds | - | 200,720 | 200,720 |
| Unearned revenue | 1,127,687 | 8,935 | 1,136,622 |
| Total liabilities | <u>3,330,910</u> | <u>272,254</u> | <u>3,603,164</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | 241,103 | 47,692 | 288,795 |
| Unavailable revenue - court fines | 223,450 | - | 223,450 |
| Related to leases | 7,105 | 4,661 | 11,766 |
| Total deferred inflows of resources | <u>471,658</u> | <u>52,353</u> | <u>524,011</u> |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Inventory | 18,947 | - | 18,947 |
| Prepaid expense | 5,877 | - | 5,877 |
| Restricted for: | | | |
| Municipal court | 83,151 | - | 83,151 |
| Vehicular child safety | 23,440 | - | 23,440 |
| Law enforcement | 9,220 | - | 9,220 |
| Drug awareness education | 1,873 | - | 1,873 |
| Lehnis Museum | 15,833 | - | 15,833 |
| Beautification | 3,153 | - | 3,153 |
| Tourism promotion | - | 405,263 | 405,263 |
| Debt service | - | 36,815 | 36,815 |
| Fabis Park | - | 42,352 | 42,352 |
| Construction | - | 137,257 | 137,257 |
| Health and nutrition programs | - | 82,726 | 82,726 |
| Grant expenditures | 465,520 | - | 465,520 |
| Assigned to: | | | |
| Subsequent year's budget | 2,037,439 | - | 2,037,439 |
| Unassigned | <u>-</u> | <u>(87,127)</u> | <u>(87,127)</u> |
| Total fund balances | <u>2,664,453</u> | <u>617,286</u> | <u>3,281,739</u> |
| Total liabilities, deferred inflows, and fund balances | <u>\$ 6,467,021</u> | <u>\$ 941,893</u> | <u>\$ 7,408,914</u> |

The accompanying notes are an integral
part of these financial statements.

CITY OF BROWNWOOD, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION**

SEPTEMBER 30, 2024

Total fund balances - governmental funds \$ 3,281,739

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 52,857,015

Revenue reported as unavailable revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.

Property taxes 288,795

Municipal court fines 223,450

Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding of bonds, the premium on issuance of bonds and deferred resource outflows (inflows) related to the net pension liability are not reported in the funds.

Bonds payable (7,525,985)

Premiums and discounts on bonds payable (100,967)

Deferred gain on refunding (38,527)

Leases payable (831,486)

SBITAs payable (69,304)

Notes payable (2,343,747)

Compensated absences (2,685,630)

Net pension liabilities (13,339,880)

Deferred outflows and inflows related to pensions 2,689,398

(24,246,128)

Net position of governmental activities \$ 32,404,871

CITY OF BROWNWOOD, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------------------|--------------------------------|
| REVENUES | | | |
| Property taxes | \$ 7,171,550 | \$ 1,083,825 | \$ 8,255,375 |
| Sales taxes | 7,072,866 | - | 7,072,866 |
| Other taxes | 3,688,818 | 498,859 | 4,187,677 |
| Licenses and fees | 153,216 | - | 153,216 |
| Intergovernmental | 2,653,230 | - | 2,653,230 |
| Charges for services | 3,523,322 | 2,235 | 3,525,557 |
| Fines | 331,613 | - | 331,613 |
| Grants and contributions | 3,193,353 | 1,762,772 | 4,956,125 |
| Investments earnings | 681,419 | 12,721 | 694,140 |
| Miscellaneous | 202,857 | 47,286 | 250,143 |
| Total revenues | <u>28,672,244</u> | <u>3,407,698</u> | <u>32,079,942</u> |
| EXPENDITURES | | | |
| General government | 4,520,268 | 568,227 | 5,088,495 |
| Public safety | 10,436,417 | - | 10,436,417 |
| Community services | 10,353,266 | 1,834,266 | 12,187,532 |
| Public works | 3,638,933 | - | 3,638,933 |
| Parks and recreation | 4,920,688 | 2,948 | 4,923,636 |
| Capital outlay | 517,963 | - | 517,963 |
| Debt service: | | | |
| Principal | 1,241,682 | 1,022,700 | 2,264,382 |
| Interest | 137,702 | 160,249 | 297,951 |
| Bond fees | - | 806 | 806 |
| Total expenditures | <u>35,766,919</u> | <u>3,589,196</u> | <u>39,356,115</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(7,094,675)</u> | <u>(181,498)</u> | <u>(7,276,173)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Note proceeds | 1,266,336 | - | 1,266,336 |
| Lease issuance | 470,274 | - | 470,274 |
| Subscription financing | 47,689 | - | 47,689 |
| Sale of assets | 111,028 | - | 111,028 |
| Transfers in | - | 60,768 | 60,768 |
| Transfers out | <u>(60,768)</u> | <u>-</u> | <u>(60,768)</u> |
| Total other financing sources (uses) | <u>1,834,559</u> | <u>60,768</u> | <u>1,895,327</u> |
| NET CHANGE IN FUND BALANCE | <u>(5,260,116)</u> | <u>(120,730)</u> | <u>(5,380,846)</u> |
| FUND BALANCE - BEGINNING, AS PREVIOUSLY REPORTED | 6,738,370 | 725,136 | 7,463,506 |
| ADJUSTMENTS, ERROR CORRECTION | <u>1,186,199</u> | <u>12,880</u> | <u>1,199,079</u> |
| FUND BALANCE - BEGINNING, AS RESTATED | <u>7,924,569</u> | <u>738,016</u> | <u>8,662,585</u> |
| FUND BALANCE - ENDING | <u>\$ 2,664,453</u> | <u>\$ 617,286</u> | <u>\$ 3,281,739</u> |

The accompanying notes are an integral
part of these financial statements.

CITY OF BROWNWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net change in fund balances - total governmental funds: \$ (5,380,846)

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of these assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount of capital outlays for the fiscal year. 8,560,301

Depreciation expense on capital assets is reported in the government-wide
statement of activities and changes in net position but they do not require the
use of current financial resources. Therefore, depreciation expense is not
reported as expenditures in the governmental funds. (3,579,947)

Current year long-term debt principal payments on contractual obligations,
bonds payable and capital leases are expenditures in the fund financial
statements but are shown as reductions in long-term debt in the government-
wide financial statements. 2,264,382

Certain expenses do not require the use of current financial resources;
therefore, they are not reported as expenditures in governmental funds.

Premium on bonds payable 42,585
Compensated Absences (197,827)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenue in the fund financial statements. (15,395)

Certain pension and expenditures are not expended in the government-wide
financial statements and recorded as deferred resource outflows and inflows.
These items relate to contributions made after the measurement date.
Additionally, a portion of the City's unrecognized deferred resource outflows
and inflows related to the pension liabilities were amortized. (903,164)

Change in net position - statement of activities \$ (994,210)

CITY OF BROWNWOOD, TEXAS

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2024

| | Business-Type Activities - Enterprise Funds | |
|--|---|---------------------|
| | Utility Fund | Sanitation Fund |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,393,372 | \$ 2,799,112 |
| Investments | 4,712,937 | 3,526,514 |
| Investments designated for closure and postclosure | - | 2,619,579 |
| Accounts receivable, net | 2,076,634 | 1,010,325 |
| Inventory | 850,662 | - |
| Prepaid expenses | 5,469 | 45,372 |
| Total current assets | <u>10,039,074</u> | <u>10,000,902</u> |
| Noncurrent assets: | | |
| Restricted assets | 1,320,051 | 1,110,238 |
| Leases receivable | - | 11,985 |
| Capital assets, net | <u>20,330,305</u> | <u>14,340,331</u> |
| Total noncurrent assets | <u>21,650,356</u> | <u>15,462,554</u> |
| Total assets | <u>31,689,430</u> | <u>25,463,456</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Related to pensions | <u>339,402</u> | <u>337,183</u> |
| Total deferred outflows of resources | <u>339,402</u> | <u>337,183</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 127,697 | 35,012 |
| Accrued salaries | 43,343 | 39,115 |
| Due to other funds | - | - |
| Customer water meter deposits | <u>1,223,782</u> | <u>-</u> |
| Total current liabilities | <u>1,394,822</u> | <u>74,127</u> |
| Noncurrent liabilities: | | |
| Due within one year | | |
| Long-term debt | 1,312,029 | 1,726,576 |
| Due in more than one year | | |
| Long-term debt | 6,122,861 | 10,861,745 |
| Net pension liability | 716,511 | 711,828 |
| Accrued landfill closure and postclosure care cost | <u>-</u> | <u>8,204,398</u> |
| Total noncurrent liabilities | <u>8,151,401</u> | <u>21,504,547</u> |
| Total liabilities | <u>9,546,223</u> | <u>21,578,674</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to pensions | 41,642 | 41,370 |
| Related to leases | <u>-</u> | <u>15,196</u> |
| Total deferred inflows of resources | <u>41,642</u> | <u>56,566</u> |
| NET POSITION | | |
| Net investment in capital assets | 13,064,771 | 3,086,666 |
| Unrestricted | <u>9,376,196</u> | <u>1,078,733</u> |
| Total net position | <u>\$ 22,440,967</u> | <u>\$ 4,165,399</u> |

The accompanying notes are an integral part of these financial statements.

Business-Type Activities -
Enterprise Funds

| Airport Fund | Total |
|---------------------|----------------------|
| \$ - | \$ 5,192,484 |
| - | 8,239,451 |
| - | 2,619,579 |
| 113,991 | 3,200,950 |
| 51,681 | 902,343 |
| - | 50,841 |
| <u>165,672</u> | <u>20,205,648</u> |
| - | 2,430,289 |
| 62,352 | 74,337 |
| <u>1,784,687</u> | <u>36,455,323</u> |
| <u>1,847,039</u> | <u>38,959,949</u> |
| <u>2,012,711</u> | <u>59,165,597</u> |
| | |
| <u>53,609</u> | <u>730,194</u> |
| <u>53,609</u> | <u>730,194</u> |
| | |
| 8,253 | 170,962 |
| 6,024 | 88,482 |
| 369,735 | 369,735 |
| - | 1,223,782 |
| <u>384,012</u> | <u>1,852,961</u> |
| | |
| 23,094 | 3,061,699 |
| | |
| 21,941 | 17,006,547 |
| 113,174 | 1,541,513 |
| - | 8,204,398 |
| <u>158,209</u> | <u>29,814,157</u> |
| <u>542,221</u> | <u>31,667,118</u> |
| | |
| 6,578 | 89,590 |
| <u>60,052</u> | <u>75,248</u> |
| <u>66,630</u> | <u>164,838</u> |
| | |
| 1,782,368 | 17,933,805 |
| (324,899) | 10,130,030 |
| <u>\$ 1,457,469</u> | <u>\$ 28,063,835</u> |

CITY OF BROWNWOOD, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | Business-Type Activities - Enterprise Funds | |
|---|---|---------------------|
| | Utility Fund | Sanitation Fund |
| OPERATING REVENUES | | |
| Charges for services | \$ 13,154,404 | \$ 8,147,527 |
| Miscellaneous revenue | 58,324 | 64,773 |
| Total operating revenues | <u>13,212,728</u> | <u>8,212,300</u> |
| OPERATING EXPENSES | | |
| Personnel services | 2,021,040 | 2,034,759 |
| Supplies | 255,361 | 467,609 |
| Contractual | 3,560,612 | 802,893 |
| Maintenance | 952,961 | 481,944 |
| Sundry charges | 737,892 | 3,327 |
| Support services | 768,207 | 340,235 |
| Depreciation and amortization | <u>1,329,285</u> | <u>1,704,545</u> |
| Total operating expenses | <u>9,625,358</u> | <u>5,835,312</u> |
| OPERATING INCOME | <u>3,587,370</u> | <u>2,376,988</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Capital contributions | 63,090 | - |
| Loss on disposal of assets | - | (130,656) |
| Grants and contributions | - | - |
| Investment earnings | 273,524 | 413,460 |
| Interest expense | <u>(1,387,369)</u> | <u>(550,278)</u> |
| Total nonoperating revenues (expenses) | <u>(1,050,755)</u> | <u>(267,474)</u> |
| CHANGE IN NET POSITION | <u>2,536,615</u> | <u>2,109,514</u> |
| TOTAL NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED | 19,067,694 | 1,605,377 |
| ADJUSTMENT - ERROR CORRECTION | <u>836,658</u> | <u>450,508</u> |
| TOTAL NET POSITION - BEGINNING, AS RESTATED | <u>19,904,352</u> | <u>2,055,885</u> |
| TOTAL NET POSITION - ENDING | <u>\$ 22,440,967</u> | <u>\$ 4,165,399</u> |

The accompanying notes are an integral
part of these financial statements.

Business-Type Activities -
Enterprise Funds

| Airport Fund | | Total | |
|-----------------|------------------|-------|--------------------|
| \$ | 957,897 | \$ | 22,259,828 |
| | 6,021 | | 129,118 |
| | <u>963,918</u> | | <u>22,388,946</u> |
| | 324,427 | | 4,380,226 |
| | 529,486 | | 1,252,456 |
| | 139,116 | | 4,502,621 |
| | 110,180 | | 1,545,085 |
| | - | | 741,219 |
| | - | | 1,108,442 |
| | <u>194,695</u> | | <u>3,228,525</u> |
| | <u>1,297,904</u> | | <u>16,758,574</u> |
| | <u>(333,986)</u> | | <u>5,630,372</u> |
| | 64,290 | | 127,380 |
| | - | | (130,656) |
| | 217,829 | | 217,829 |
| | 781 | | 687,765 |
| | <u>-</u> | | <u>(1,937,647)</u> |
| | <u>282,900</u> | | <u>(1,035,329)</u> |
| | <u>(51,086)</u> | | <u>4,595,043</u> |
| | 1,508,555 | | 22,181,626 |
| | <u>-</u> | | <u>1,287,166</u> |
| | <u>1,508,555</u> | | <u>23,468,792</u> |
| \$ | <u>1,457,469</u> | \$ | <u>28,063,835</u> |

CITY OF BROWNWOOD, TEXAS

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | <u>Business-Type Activities - Enterprise Funds</u> | |
|--|--|----------------------------|
| | <u>Utility Fund</u> | <u>Sanitation Fund</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 13,223,683 | \$ 8,171,108 |
| Payments to suppliers and service providers | (6,341,868) | (2,138,766) |
| Payments to employees for salaries and benefits | (2,182,249) | (2,153,734) |
| Net cash provided by operating activities | <u>4,699,566</u> | <u>3,878,608</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Increase in customer meter deposits | <u>55,508</u> | <u>-</u> |
| Net cash provided by noncapital financing activities | <u>55,508</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Principal payments on bonds | (735,000) | (604,871) |
| Principal payments on tax note | (42,300) | - |
| Principal payments on notes | (178,345) | (669,357) |
| Principal payments on leases | (65,932) | (25,459) |
| Principal payments on subscriptions | (6,769) | - |
| Disposal of assets | - | (130,656) |
| Capital contributions | 63,090 | - |
| Acquisition and construction of capital assets | (164,728) | (485,132) |
| Grant income | - | - |
| Interest expense | (1,387,369) | (550,278) |
| Net cash provided by capital and related financing activities | <u>(2,517,353)</u> | <u>(2,465,753)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (442,547) | (905,360) |
| Interest income | <u>273,524</u> | <u>413,460</u> |
| Net cash provided by investing activities | <u>(169,023)</u> | <u>(491,900)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | 2,068,698 | 920,955 |
| CASH AND CASH EQUIVALENTS - BEGINNING | <u>1,644,725</u> | <u>2,988,395</u> |
| CASH AND CASH EQUIVALENTS - ENDING | <u>3,713,423</u> | <u>3,909,350</u> |
| Reconciliation of operating income (loss) to net cash provided (used for) operating activities: | | |
| Operating income (loss) | <u>3,587,370</u> | <u>2,376,988</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation and amortization | 1,329,285 | 1,704,545 |
| (Increase) decrease in accounts receivable | 10,955 | (44,403) |
| (Increase) decrease in inventories | (160,824) | - |
| (Increase) decrease in leases receivable | - | (11,985) |
| (Increase) decrease in deferred outflows pensions | 416,287 | 364,007 |
| (Increase) decrease in prepaid expense | 2,535 | 2,520 |
| Increase (decrease) in accounts payable | 91,454 | (45,278) |
| Increase (decrease) in due to other funds | - | - |
| Increase (decrease) in deferred inflows pensions | 41,642 | 41,370 |
| Increase (decrease) in deferred inflows leases | - | 15,196 |
| Increase (decrease) in compensated absences | 6,985 | 9,625 |
| Increase (decrease) in net pension liability | <u>(626,123)</u> | <u>(533,977)</u> |
| Total adjustments | <u>1,112,196</u> | <u>1,501,620</u> |
| Net cash provided by operating activities | <u>\$ 4,699,566</u> | <u>\$ 3,878,608</u> |

The accompanying notes are an integral
part of these financial statements.

Business-Type Activities -
Enterprise Funds

| Airport Fund | | Total | |
|-----------------|-----------|-------|-------------|
| \$ | 963,918 | \$ | 22,358,709 |
| | (655,757) | | (9,136,391) |
| | (340,249) | | (4,676,232) |
| | (32,088) | | 8,546,086 |
| | - | | 55,508 |
| | - | | 55,508 |
| | - | | (1,339,871) |
| | - | | (42,300) |
| | - | | (847,702) |
| | (1,009) | | (92,400) |
| | - | | (6,769) |
| | - | | (130,656) |
| | 64,290 | | 127,380 |
| | (250,203) | | (900,063) |
| | 217,829 | | 217,829 |
| | - | | (1,937,647) |
| | 30,907 | | (4,952,199) |
| | - | | (1,347,907) |
| | 781 | | 687,765 |
| | 781 | | (660,142) |
| | (400) | | 2,989,253 |
| | 400 | | 4,633,520 |
| | - | | 7,622,773 |
| | (333,986) | | 5,630,372 |
| | 194,695 | | 3,228,525 |
| | (41,627) | | (75,075) |
| | 15,165 | | (145,659) |
| | - | | (11,985) |
| | 58,530 | | 838,824 |
| | - | | 5,055 |
| | 4,442 | | 50,618 |
| | 191,248 | | 191,248 |
| | (39,625) | | 43,387 |
| | - | | 15,196 |
| | 5,136 | | 21,746 |
| | (86,066) | | (1,246,166) |
| | 301,898 | | 2,915,714 |
| \$ | (32,088) | \$ | 8,546,086 |

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CITY OF BROWNWOOD, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The following is a summary of the most significant accounting policies.

A. 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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Interfund activities between governmental funds appear as due to/due from on the Governmental Funds Balance Sheet and as other resources and other uses on the Governmental Funds Statement of Revenues, Expenditure and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and proprietary funds remain as receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and proprietary funds. The City does not have any fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has only one kind of proprietary fund, enterprise funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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. 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.

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.

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 funds:

The **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:

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The **Capital Projects Fund** is 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).

The **Special Revenue Funds** 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 reports the following major proprietary funds:

The **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.

The **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.

The **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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Encumbrances

The City utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executor contracts) and are used to control expenditures for the period and to enhance cash management. The City often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the City likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the City allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires, and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate. The City had no outstanding encumbrances as September 30, 2024.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents

For the purpose of the Statement of Net Position "pooled cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposit of the City. Investments consist of investments in public funds investment pools and are stated at cost which approximates fair market value. Cash of all funds, including restricted cash, but excluding debt service funds is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled account has an equity therein. An individual fund's pooled cash and cash investments are available upon demand and are considered to be cash equivalents.

2. 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".

3. 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:

| <u>Asset</u> | <u>Estimated Useful Lives</u> |
|-------------------------|-----------------------------------|
| Buildings | 31-40 years |
| Machinery and equipment | 3-10 years |
| Improvements | 10-20 years |
| Right to use assets | 3-5 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.

4. 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.

5. 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.

6. 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.

7. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

8. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources expense or expenditure until then. The City has the following items that qualify for reporting in this category.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in expected and actual pension experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in this category.

- 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.
- Difference in expected and actual pension experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

9. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. 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.

10. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The City has not recorded any bond premiums and discounts. Bond issuance costs are reported as expenditures or expenses in the current period.

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

11. Leases

The City has entered into various lease agreements as either lessee or lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

Lessee. The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements and proprietary fund financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor. The City is a lessor in arrangements allowing the use of City land and buildings. In the government-wide financial statements, governmental fund financial statements, and proprietary fund financial statements, the City initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue over the life of the lease.

12. Subscription-Based Information Technology Arrangements (SBITAs)

The City has entered into certain subscription-based IT arrangements (SBITAs). The City recognizes liability and an intangible right-to-use asset in the proprietary fund and government-wide financial statements.

At the commencement of a SBITA, the City initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed upon payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.
- The agreement term includes the noncancellable period of the SBITA.
- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. These right to use assets are reported with other capital assets and liabilities are reported with long-term debt on the statement of net position.

13. Compensated Absences

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

14. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by the ordinance of the City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Council has by City Ordinance authorized City Manager to assign fund balance. The Council may also assign fund balance.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

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.

15. Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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.

16. 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.

17. Change in Accounting Principle

During fiscal year 2024, the City adopted the following new accounting guidance:

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, was adopted effective October 1, 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

II. BUDGETARY INFORMATION

- A. Excess of expenditures over appropriations** – For the year ended September 30, 2024, expenditures exceeded appropriations at the legal level of budgetary control as follows:

| <u>General Fund Function</u> | <u>Department</u> | <u>Overage</u> |
|------------------------------|----------------------|----------------|
| General government | City council | \$ 732 |
| General government | Intergovernmental | 976 |
| Public safety | Dispatch | 4,162 |
| Community services | Health | 928,640 |
| Community services | Community services | 2,640 |
| Community services | Community facilities | 2,396,559 |
| Public works | Street | 197,092 |
| Public works | Utility billing | 227,849 |

These budget overages were funded by existing fund balance.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. 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.

Deposits

Custodial Credit Risk - Deposits. 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 225 7 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, 2024, \$4,016,410, 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.

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.

The City participates in three Local Government Investment Pools (LGIPs): TexPool, Logic, and TexSTAR. The State Comptroller oversees TexPool and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over Logic and TexSTAR, advisory boards consisting of participants or their designees, maintains oversight responsibility for Logic and TexSTAR.

TexPool, TexPool Prime, TexSTAR, and Logic all have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The following table includes the portfolio balances of all cash and investment types of the City at September 30, 2024.

| Investment Type | Reported Value | Weighted Average Maturity (Days) |
|---|----------------|----------------------------------|
| Primary government: | | |
| Cash deposits | \$ 2,966,278 | N/A |
| Local Government Investment Pools: | | |
| TexPool | 11,862,030 | 27 |
| TexSTAR | 7,630,757 | 25 |
| Total Local Government Investment Pools | 19,492,787 | |
| Total primary government | \$ 22,459,065 | |
| Component unit: | | |
| Cash deposits | \$ 296,823 | N/A |
| Local Government Investment Pools: | | |
| TexPool | \$ 961,632 | 27 |
| TexSTAR | 954,743 | 25 |
| Total component unit | \$ 2,213,198 | |

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, 2024, the City's investments in TexPool and TexStar were both rated AAAM by Standard and Poor's.

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, 2024, TexPool's portfolio maintained a weighted average maturity of approximately 27 days. The other local government investment pool utilized by the City is TexStar which is managed by Hilltop Securities and JP Investment Management, Inc. At September 30, 2024, TexStar's portfolio maintained a weighted average maturity of approximately 25 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.

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 G) Direct Obligations of the State of Texas or its agencies.

B. Receivables

A summary of the net receivables at September 30, 2024 is as follows:

| | Governmental Activities | Business-type Activities | Component Unit - BMDD | Total |
|---------------------------------------|----------------------------|-----------------------------|--------------------------|--------------------|
| Receivables: | | | | |
| Ad valorem taxes | \$ 398,062 | \$ - | \$ - | \$ 398,062 |
| Sales taxes | 1,307,933 | - | 383,469 | 1,691,402 |
| Utility | - | 3,950,097 | - | 3,950,097 |
| Municipal Court Fines | 455,038 | - | - | 455,038 |
| Franchise taxes | 219,513 | - | - | 219,513 |
| Grants | 335,757 | 96,503 | - | 432,260 |
| Notes | 37,000 | - | - | 37,000 |
| Other | <u>715,081</u> | <u>-</u> | <u>-</u> | <u>715,081</u> |
| Gross receivables | 3,468,384 | 4,046,600 | 383,469 | 7,898,453 |
| Less: allowance for uncollectibles | <u>(644,877)</u> | <u>(845,650)</u> | <u>-</u> | <u>(1,490,527)</u> |
| Net total receivables | <u>\$2,823,507</u> | <u>\$3,200,950</u> | <u>\$ 383,469</u> | <u>\$6,407,926</u> |

Leases

A summary of the City's leases receivable as of September 30, 2024 is as follows:

| Purpose of Lease | Interest Rate | Initial Year of Lease | Amount of Initial Receivable | Revenue Current Year | Amounts Outstanding 9/30/24 |
|---------------------------------|---------------|-----------------------|------------------------------|----------------------|-----------------------------|
| Governmental Activities | | | | | |
| SBA Structures | 0.74% | 2022 | \$ 32,280 | \$ 9,008 | \$ 5,310 |
| Fabis Park | 0.91% | 2022 | 11,365 | 2,234 | 5,712 |
| Land improvements | 0.74% | 2023 | 30,255 | 209 | 1,844 |
| Total governmental activities | | | <u>73,900</u> | <u>11,451</u> | <u>12,866</u> |
| Business-Type Activities | | | | | |
| FedEx Building | 0.91% | 2022 | 137,342 | 29,430 | 51,138 |
| FAA Antenna | 1.30% | 2022 | 19,251 | 2,750 | 11,214 |
| Land - Hunting lease | 2.85% | 2024 | 18,235 | 3,039 | 11,985 |
| Total business-type activities | | | <u>174,828</u> | <u>35,219</u> | <u>74,337</u> |
| Total primary government | | | <u>\$ 248,728</u> | <u>\$ 46,670</u> | <u>\$ 87,203</u> |

Future payments on these leases are as follows:

| Year Ending September 30, | Leases Receivable | | | | | |
|------------------------------|--------------------------|---------------|------------------|--------------------------|-----------------|------------------|
| | Governmental Activities | | | Business-Type Activities | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2025 | \$ 7,413 | \$ 99 | \$ 7,512 | \$ 39,084 | \$ 814 | \$ 39,898 |
| 2026 | 2,124 | 65 | 2,189 | 29,574 | 341 | 29,915 |
| 2027 | 2,145 | 44 | 2,189 | 2,821 | 138 | 2,959 |
| 2028 | 228 | 22 | 250 | 2,858 | 24 | 2,882 |
| 2029 | 232 | 18 | 250 | - | - | - |
| 2030-2033 | <u>724</u> | <u>26</u> | <u>750</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 12,866</u> | <u>\$ 274</u> | <u>\$ 13,140</u> | <u>\$ 74,337</u> | <u>\$ 1,317</u> | <u>\$ 75,654</u> |

C. Capital Assets

A summary of activity for capital assets for the year ended September 30, 2024, follows:

| | Balance 9/30/2023 | Additions | Deletions | Adjustments/ Reclassifications | Balance 9/30/2024 |
|---|----------------------|---------------------|------------------|-----------------------------------|----------------------|
| Governmental Activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 3,098,551 | \$ - | \$ - | | \$ 3,098,551 |
| Construction in progress | <u>11,418,764</u> | <u>6,172,353</u> | <u>-</u> | <u>(321,437)</u> | <u>17,269,680</u> |
| Total capital assets, not being depreciated | <u>14,517,315</u> | <u>6,172,353</u> | <u>-</u> | <u>(321,437)</u> | <u>20,368,231</u> |
| Capital assets being depreciated: | | | | | |
| Buildings and grounds | 17,493,477 | 8,972 | - | - | 17,502,449 |
| Improvements | 67,764,333 | 325,285 | - | 321,437 | 68,411,055 |
| Machinery and equipment | 12,153,458 | 1,508,037 | (428,731) | - | 13,232,764 |
| Intangible assets | 1,347,755 | - | - | - | 1,347,755 |
| Right-to-use equipment | 2,047,978 | 317,305 | (188,820) | 187,383 | 2,363,846 |
| Right-to-use subscriptions | <u>114,704</u> | <u>56,689</u> | <u>-</u> | <u>-</u> | <u>171,393</u> |
| Total capital assets being depreciated | <u>100,921,705</u> | <u>2,216,288</u> | <u>(617,551)</u> | <u>508,820</u> | <u>103,029,262</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and grounds | (8,267,206) | (464,868) | - | - | (8,732,074) |
| Improvements | (47,908,182) | (1,365,735) | - | - | (49,273,917) |
| Machinery and equipment | (9,403,245) | (1,007,185) | 428,731 | - | (9,981,699) |
| Intangible assets | (914,351) | (20,000) | - | - | (934,351) |
| Right-to-use equipment | (1,046,383) | (657,366) | 188,820 | 3,165 | (1,511,764) |
| Right-to-use subscriptions | <u>(41,880)</u> | <u>(64,793)</u> | <u>-</u> | <u>-</u> | <u>(106,673)</u> |
| Total accumulated depreciation | <u>(67,581,247)</u> | <u>(3,579,947)</u> | <u>617,551</u> | <u>3,165</u> | <u>(70,540,478)</u> |
| Total capital assets being depreciated, net | <u>33,340,458</u> | <u>(1,363,659)</u> | <u>-</u> | <u>511,985</u> | <u>32,488,784</u> |
| Governmental activities capital assets, net | <u>\$ 47,857,773</u> | <u>\$ 4,808,694</u> | <u>\$ -</u> | <u>\$ 190,548</u> | <u>\$ 52,857,015</u> |

| | Balance 9/30/2023 | Additions | Deletions | Adjustments/ Reclassifications | Balance 9/30/2024 |
|---|----------------------|-----------------------|------------------|-----------------------------------|----------------------|
| Business-Type Activities | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 383,351 | \$ - | \$ - | \$ - | \$ 383,351 |
| Construction in progress | 7,246,575 | 51,083 | - | (7,253,594) | 44,064 |
| Total capital assets, not being depreciated | <u>7,629,926</u> | <u>51,083</u> | <u>-</u> | <u>(7,253,594)</u> | <u>7,681,009</u> |
| Capital assets being depreciated: | | | | | |
| Buildings and grounds | 3,467,622 | 130,185 | - | - | 3,597,807 |
| Improvements | 85,899,703 | 266,916 | - | 65,895 | 86,232,514 |
| Landfill cell development | 12,836,858 | - | - | 7,187,699 | 20,024,557 |
| Machinery and equipment | 12,235,907 | 1,480,185 | (339,623) | - | 13,376,469 |
| Intangible assets | 493,054 | - | - | - | 493,054 |
| Right-to-use equipment | 249,228 | 161,823 | - | - | 411,051 |
| Right-to-use software | 13,420 | - | - | - | 13,420 |
| Total capital assets being depreciated | <u>115,195,792</u> | <u>2,039,109</u> | <u>(339,623)</u> | <u>7,253,594</u> | <u>124,148,872</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and grounds | (3,261,589) | (27,883) | - | - | (3,289,472) |
| Improvements | (63,956,896) | (1,193,906) | - | - | (65,150,802) |
| Landfill cell development | (8,705,759) | (579,374) | - | - | (9,285,133) |
| Machinery and equipment | (8,719,998) | (1,280,188) | 339,623 | - | (9,660,563) |
| Intangible assets | (451,245) | (41,808) | - | - | (493,053) |
| Right-to-use equipment | (134,898) | (98,655) | - | - | (233,553) |
| Right-to-use software | (1,677) | (6,711) | - | - | (8,388) |
| Total accumulated depreciation | <u>(85,232,062)</u> | <u>(3,228,525)</u> | <u>339,623</u> | <u>-</u> | <u>(88,120,964)</u> |
| Total capital assets being depreciated, net | <u>29,963,730</u> | <u>(1,189,416)</u> | <u>-</u> | <u>7,253,594</u> | <u>36,027,908</u> |
| Business-type activities | | | | | |
| Capital assets, net | <u>\$ 37,593,656</u> | <u>\$ (1,138,333)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 36,455,323</u> |

Depreciation was charged to functions of the primary government as follows:

| | |
|---------------------------------|---------------------|
| Governmental Activities | |
| General government | \$ 468,070 |
| Public safety | 1,138,984 |
| Community services | 889,978 |
| Public works | 1,082,915 |
| | <u>\$ 3,579,947</u> |
| Business-Type Activities | |
| Utility | \$ 1,329,285 |
| Sanitation | 1,704,545 |
| Airport | 194,695 |
| | <u>\$ 3,228,525</u> |

D. Long-term Obligations

During the year ended September 30, 2024, the following changes occurred in long-term debt:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental Activities | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 8,315,000 | \$ - | \$ (965,000) | \$ 7,350,000 | \$ 990,000 |
| Tax notes | 233,685 | - | (57,700) | 175,985 | 57,700 |
| Bond issuance premiums/discounts | 130,710 | - | (29,743) | 100,967 | - |
| Notes payable | 1,635,574 | 1,266,336 | (558,163) | 2,343,747 | 728,088 |
| Leases payable | 989,318 | 470,274 | (628,106) | 831,486 | 424,853 |
| SBITAs | 77,028 | 47,689 | (55,413) | 69,304 | 56,688 |
| Compensated Absences | 2,487,803 | 214,686 | (16,859) | 2,685,630 | 1,455,228 |
| Governmental activities long-term liabilities | <u>\$ 13,869,118</u> | <u>\$ 1,998,985</u> | <u>\$ (2,310,984)</u> | <u>\$ 13,557,119</u> | <u>\$ 3,712,557</u> |
| Business-Type Activities | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 15,020,000 | \$ - | \$ (610,000) | \$ 14,410,000 | \$ 640,000 |
| Certificates of obligation | 1,730,000 | - | (665,000) | 1,065,000 | 690,000 |
| Tax notes | 171,315 | - | (42,300) | 129,015 | 42,300 |
| Bond issuance premiums/discounts | 183,139 | - | (35,862) | 147,277 | - |
| Notes payable | 3,803,737 | 951,438 | (939,094) | 3,816,081 | 1,440,766 |
| Leases payable | 106,845 | 162,165 | (92,400) | 176,610 | 77,363 |
| SBITAs | 6,769 | - | (6,769) | - | - |
| Estimated liability for landfill closure | 8,065,490 | 138,908 | - | 8,204,398 | - |
| Compensated Absences | 302,517 | 26,585 | (4,839) | 324,263 | 171,270 |
| Business-type activities long-term liabilities | <u>\$ 29,389,812</u> | <u>\$ 1,279,096</u> | <u>\$ (2,396,264)</u> | <u>\$ 28,272,644</u> | <u>\$ 3,061,699</u> |

Long-term obligations for the component unit BMDD at September 30, 2024 are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------------|----------------------|-----------------|---------------------|---------------------|------------------------|
| Bonds payable: | | | | | |
| Sales tax revenue bonds | \$ 4,790,000 | \$ - | \$ (285,000) | \$ 4,505,000 | \$ 290,000 |
| Lease payable | 15,459 | - | (15,459) | - | - |
| Total bonds and lease payable | 4,805,459 | - | (300,459) | 4,505,000 | 290,000 |
| Compensated absences | 16,690 | 1,594 | - | 18,284 | 10,453 |
| Total | <u>\$ 4,822,149</u> | <u>\$ 1,594</u> | <u>\$ (300,459)</u> | <u>\$ 4,523,284</u> | <u>\$ 300,453</u> |

General Obligation Bonds/Certificates of Obligation

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.

The following is a summary of the terms of obligations of general obligation bonds and certificates of obligation outstanding as of September 30, 2024:

| Description | Date of Issue | Interest Rate | Original Issue | Date of Maturity | Debt Outstanding |
|---------------------------------|---------------------|---------------|-------------------|------------------------|----------------------|
| Governmental activities | | | | | |
| GO Refunding Bonds, Series 2015 | 10/15/2015 | 3.13% | \$ 740,000 | 3/15/2026 | \$ 260,000 |
| GO Refunding Bonds, Series 2020 | 9/17/2020 | 3.00-4.00% | 2,780,000 | 3/15/2031 | 1,675,000 |
| GO Refunding Bonds, Series 2021 | 12/16/2021 | 3.00% | 6,830,000 | 3/15/2032 | 5,415,000 |
| Total | | | | | <u>\$ 7,350,000</u> |
| Business-type activities | | | | | |
| CO Bonds, Series 2012A | 12/1/2012 | 1.96%-4.64% | \$ 3,440,000 | 3/15/2044 | \$ 2,710,000 |
| CO Bonds, Series 2015 | 10/15/2015 | 2.95% | 4,815,000 | 9/30/2035 | 2,965,000 |
| GO Refunding Bonds, Series 2020 | 9/17/2020 | 3.00% | 3,600,000 | 3/15/2031 | 1,065,000 |
| CO Bonds, Series 2022 | 10/13/2022 | 4.0%-5.0% | 9,015,000 | 3/15/2043 | 8,735,000 |
| Total | | | | | <u>\$ 15,475,000</u> |

Annual debt service requirements to retire outstanding general obligation bonds and certificates of obligation are as follows:

| Year Ending September 30, | General Obligation Refunding Bonds and Certificates of Obligation | | | | | |
|------------------------------|---|-------------------|---------------------|--------------------------|---------------------|----------------------|
| | Governmental Activities | | | Business-Type Activities | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2025 | \$ 990,000 | \$ 137,313 | \$ 1,127,313 | \$ 1,330,000 | \$ 579,799 | \$ 1,909,799 |
| 2026 | 1,000,000 | 116,952 | 1,116,952 | 900,000 | 594,417 | 1,494,417 |
| 2027 | 895,000 | 97,595 | 992,595 | 745,000 | 564,721 | 1,309,721 |
| 2028 | 910,000 | 79,232 | 989,232 | 680,000 | 533,572 | 1,213,572 |
| 2029 | 925,000 | 60,549 | 985,549 | 715,000 | 500,838 | 1,215,838 |
| 2030-2034 | 2,630,000 | 69,615 | 2,699,615 | 4,095,000 | 1,963,438 | 6,058,438 |
| 2035-2039 | - | - | - | 3,620,000 | 1,102,786 | 4,722,786 |
| 2040-2044 | - | - | - | 3,390,000 | 326,048 | 3,716,048 |
| | <u>\$ 7,350,000</u> | <u>\$ 561,256</u> | <u>\$ 7,911,256</u> | <u>\$ 15,475,000</u> | <u>\$ 6,165,619</u> | <u>\$ 21,640,619</u> |

Tax Notes

The following is a summary of the City's Tax Notes at September 30, 2024:

| Description | Date of Issue | Original Amount | Interest Rate | Date of Maturity | Amounts Outstanding 9/30/24 |
|---------------------------------|---------------|-----------------|---------------|------------------|-----------------------------|
| Governmental activities | | | | | |
| Tax Note, Series 2020 | 7/23/2020 | \$ 395,245 | 1.50% | 3/15/2027 | \$ 175,985 |
| Business-type activities | | | | | |
| Tax Note, Series 2020 | 7/23/2020 | \$ 289,755 | 1.50% | 3/15/2027 | \$ 129,015 |

The annual debt service to maturity is as follows:

| Year Ending September 30, | Tax Note | | | | | |
|------------------------------|-------------------------|-----------------|-------------------|--------------------------|-----------------|-------------------|
| | Governmental Activities | | | Business-Type Activities | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2025 | \$ 57,700 | \$ 2,207 | \$ 59,907 | \$ 42,300 | \$ 1,618 | \$ 43,918 |
| 2026 | 57,700 | 1,342 | 59,042 | 42,300 | 984 | 43,284 |
| 2027 | 60,585 | 454 | 61,039 | 44,415 | 333 | 44,748 |
| | <u>\$ 175,985</u> | <u>\$ 4,003</u> | <u>\$ 179,988</u> | <u>\$ 129,015</u> | <u>\$ 2,935</u> | <u>\$ 131,950</u> |

Sales Tax Revenue Bonds

A summary of the BMDD bonds follows:

| Description | Interest Rate | Date of Issue | Original Amount | Date of Maturity | Amounts Outstanding 9/30/24 |
|--------------------------------------|----------------|---------------|-----------------|------------------|-----------------------------|
| Component Unit | | | | | |
| Sales Tax Revenue Bonds, Series 2022 | 1.87% to 3.28% | 4/6/2022 | \$ 5,070,000 | 3/15/2037 | \$ 4,505,000 |

Annual debt service to maturity is as follows:

| Year Ending September 30, | Sales Tax Revenue Bonds | | |
|------------------------------|--------------------------------|-------------------|---------------------|
| | Component Unit | | |
| | Principal | Interest | Total |
| 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 | 325,000 | 95,190 | 420,190 |
| 2030-2034 | 1,775,000 | 325,813 | 2,100,813 |
| 2035-2037 | 1,195,000 | 58,946 | 1,253,946 |
| | <u>\$ 4,505,000</u> | <u>\$ 947,592</u> | <u>\$ 5,452,592</u> |

Notes Payable

The following is the note repayment schedule as of September 30, 2024:

| Year Ending September 30, | Notes Payable | | | | | |
|------------------------------|-------------------------|-------------------|---------------------|--------------------------|-------------------|---------------------|
| | Governmental Activities | | | Business-Type Activities | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2025 | \$ 728,088 | \$ 110,573 | \$ 838,661 | \$ 1,440,766 | \$ 154,271 | \$ 1,595,037 |
| 2026 | 598,042 | 73,820 | 671,862 | 1,434,663 | 92,162 | 1,526,825 |
| 2027 | 556,153 | 42,354 | 598,507 | 563,259 | 38,885 | 602,144 |
| 2028 | 335,418 | 17,108 | 352,526 | 325,644 | 11,675 | 337,319 |
| 2029 | 126,046 | 3,033 | 129,079 | 51,749 | 775 | 52,524 |
| | <u>\$ 2,343,747</u> | <u>\$ 246,888</u> | <u>\$ 2,590,635</u> | <u>\$ 3,816,081</u> | <u>\$ 297,768</u> | <u>\$ 4,113,849</u> |

Leases Payable

A summary of the City's long-term leases payable as of September 30, 2024, is as follows:

| Description | Interest Rate | Initial Year of Lease | Amount of Initial Lease Liability | Interest Current Year | Amounts Outstanding 9/30/24 |
|---------------------------------|---------------|-----------------------|-----------------------------------|-----------------------|-----------------------------|
| Governmental Activities | | | | | |
| Enterprise vehicles | 0.48% | Various | \$ 2,043,912 | \$ 17,661 | \$ 831,486 |
| Totals | | | | <u>\$ 17,661</u> | <u>\$ 831,486</u> |
| Business-Type Activities | | | | | |
| Copiers | 3.74% | 2023 | \$ 17,413 | \$ 447 | \$ 9,663 |
| Vehicles | 0.48% | 2023 | 266,561 | <u>4,026</u> | <u>166,947</u> |
| Totals | | | | <u>\$ 4,473</u> | <u>\$ 176,610</u> |

Annual debt service to maturity is as follows:

| Year Ending September 30, | Leases Payable | | | | | |
|------------------------------|-------------------------|------------------|-------------------|--------------------------|-----------------|-------------------|
| | Governmental Activities | | | Business-Type Activities | | |
| | Principal | Interest | Total | Principal | Interest | Total |
| 2025 | \$ 424,853 | \$ 13,892 | \$ 438,745 | \$ 77,363 | \$ 3,808 | \$ 81,171 |
| 2026 | 193,543 | 8,926 | 202,469 | 41,679 | 2,638 | 44,317 |
| 2027 | 136,416 | 4,518 | 140,934 | 26,517 | 1,603 | 28,120 |
| 2028 | 69,684 | 1,161 | 70,845 | 26,673 | 672 | 27,345 |
| 2029 | <u>6,990</u> | <u>38</u> | <u>7,028</u> | <u>4,378</u> | <u>23</u> | <u>4,401</u> |
| | <u>\$ 831,486</u> | <u>\$ 28,535</u> | <u>\$ 860,021</u> | <u>\$ 176,610</u> | <u>\$ 8,744</u> | <u>\$ 185,354</u> |

SBITAs

A summary of the City's long-term SBITA payable as of September 30, 2024, is as follows:

| Description | Interest Rate | Initial Year of SBITA | Amount of Initial SBITA Liability | Interest Current Year | Amounts Outstanding 9/30/24 |
|--------------------------------|---------------|-----------------------|-----------------------------------|-----------------------|-----------------------------|
| Governmental Activities | | | | | |
| Microsoft Corporation Software | 3.38% | 2023 | \$ 114,704 | \$ 2,494 | \$ 39,100 |
| Debtbook Platform | 3.04% | 2024 | 34,890 | - | 23,890 |
| NEOGOV | 1.21% | 2024 | 12,799 | - | 6,314 |
| Totals | | | | <u>\$ 2,494</u> | <u>\$ 69,304</u> |

Annual debt service to maturity is as follows:

| Year Ending September 30, | SBITAs | | |
|------------------------------|-------------------------|-----------------|------------------|
| | Governmental Activities | | |
| | Principal | Interest | Total |
| 2025 | \$ 56,688 | \$ 2,217 | \$ 58,905 |
| 2026 | <u>12,616</u> | <u>384</u> | <u>13,000</u> |
| Total | <u>\$ 69,304</u> | <u>\$ 2,601</u> | <u>\$ 71,905</u> |

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 \$8,204,398 as of September 30, 2024 which is based on 33.76% usage (filled) of the overall landfill. It is estimated that an additional \$5,009,033 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, \$16,969,954, 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, 2024. 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 \$11,960,921 and is being met by the government financial test specified in 30 TAC Chapter 37 .271.

E. Interfund Receivables, Payables and Transfers

For the year ended September 30, 2024, interfund balances consisted of:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------|-------------------|
| General fund | Enterprise fund | \$ 369,735 |
| General fund | Nonmajor governmental | <u>200,720</u> |
| | | <u>\$ 570,455</u> |

Interfund balances represent the portion accrued salaries payable that were paid by the general fund but reimbursable as an expense of other funds. The balances will be liquidated shortly after yearend.

For the year ended September 30, 2024, interfund transfers consisted of:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|-----------------------|----------------------|------------------|
| Nonmajor governmental | General Fund | <u>\$ 60,768</u> |

These transfers were approved by the City council as transfers of funds to cover planned expenditures /expenses.

F. Defined Benefit Pension Plan – Texas Municipal Retirement System

The City 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.

Plan Descriptions. The City participates as two of 936 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 any age after 20 years of continuous service.

A summary of plan provisions for the City are as follows:

| | <u>City</u> |
|---|---------------------------|
| Employee deposit rate | 7% |
| Matching ratio (City to employee) | 2 to 1 |
| Years required for vesting | 5 |
| Retire Eligibility (Age/Service) | 60/5, 0/20 |
| Updated Service Credit | 100% Repeating, Transfers |
| Annuity increase to retirees | 70% of CPI Repeating |
| Supplemental death benefit - employees and retirees | No |

Employees covered by benefit terms. At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

| | <u>City</u> | <u>Health Dept</u> |
|--|-------------|--------------------|
| Inactive employees or beneficiaries currently receiving benefits | 182 | 11 |
| Inactive employees entitled to but not yet receiving benefits | 111 | 5 |
| Active employees | <u>222</u> | <u>19</u> |
| Total | <u>515</u> | <u>35</u> |

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the State law governing TMRS, the contribution rate for each City is determined annually by the consulting 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.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2024, the City made contributions for Plan 10190 City of 13.44% for the months in 2023 and 14.46% for the months in 2024. The City made contributions for Plan 30190 Health Department of 10.59% for the months in 2023 and 9.61% for the months in 2024. The City's contributions to TMRS for the year ended September 30, 2024, for Plan 10190 City and Plan 30190 Health Department were \$1,728,154 and \$84,454, respectively, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.60% to 11.85% including inflation |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is 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 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|-------------------|---|
| Global Equity | 35.0% | 6.70% |
| Core Fixed Income | 6.0% | 4.70% |
| Non-Core Fixed Income | 20.0% | 8.00% |
| Other Public and Private Markets | 12.0% | 8.00% |
| Real Estate | 12.0% | 7.60% |
| Hedge Funds | 5.0% | 6.40% |
| Private Equity | 10.0% | 11.60% |
| Total | 100.0% | |

Discount Rate. The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee 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

| | City | | |
|---|--------------------------------|------------------------------------|------------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (c) |
| Balance at 12/31/2022 | \$ 64,104,127 | \$ 53,637,906 | \$ 10,466,221 |
| Changes for the year: | | | |
| Service cost | 1,829,168 | - | 1,829,168 |
| Interest | 4,277,054 | - | 4,277,054 |
| Difference between expected and actual experience | 400,277 | - | 400,277 |
| Change in assumptions | (638,021) | - | (638,021) |
| Contributions - employer | | 1,556,936 | (1,556,936) |
| Contributions - employee | - | 810,904 | (810,904) |
| Net investment income | - | 6,201,493 | (6,201,493) |
| Benefit payments, including refunds of employee contributions | (3,309,907) | (3,309,907) | - |
| Administrative expense | - | (39,494) | 39,494 |
| Other changes | - | (275) | 275 |
| Net changes | <u>2,558,571</u> | <u>5,219,657</u> | <u>(2,661,086)</u> |
| Balance at 12/31/2023 | <u>\$ 66,662,698</u> | <u>\$ 58,857,563</u> | <u>\$ 7,805,135</u> |

| | Health Dept | | |
|---|--------------------------------|------------------------------------|------------------------------|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (c) |
| Balance at 12/31/2022 | \$ 1,890,232 | \$ 1,690,180 | \$ 200,052 |
| Changes for the year: | | | |
| Service cost | 128,112 | - | 128,112 |
| Interest | 129,119 | - | 129,119 |
| Difference between expected and actual experience | (4,384) | - | (4,384) |
| Change in assumptions | (20,554) | - | (20,554) |
| Contributions - employer | | 88,849 | (88,849) |
| Contributions - employee | - | 58,729 | (58,729) |
| Net investment income | - | 194,928 | (194,928) |
| Benefit payments, including refunds of employee contributions | (82,831) | (82,831) | - |
| Administrative expense | - | (1,244) | 1,244 |
| Other changes | - | (11) | 11 |
| Net changes | <u>149,462</u> | <u>258,420</u> | <u>(108,958)</u> |
| Balance at 12/31/2023 | <u>\$ 2,039,694</u> | <u>\$ 1,948,600</u> | <u>\$ 91,094</u> |

Sensitivity of the Net Pension Liability

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 | | |
|----------------------------------|---|----------------------------------|---|
| | 1% Decrease in Discount Rate (5.75%) | Current Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
| | | | |
| Net pension liability/(asset) \$ | 16,824,620 | \$ 7,805,135 | \$ 400,779 |

| Health Dept | | | |
|----------------------------------|--|-------------------------------------|--|
| | 1% Decrease in Discount Rate (5.75%) | Current Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
| Net pension liability/(asset) \$ | 351,622 | \$ 91,094 | \$ (126,460) |

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2024, the City recognized pension expense of \$1,771,105.

At September 30, 2024, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

| | City | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences in expected and actual experience | \$ 927,229 | \$ - |
| Changes in assumptions | - | 453,622 |
| Differences in projected and actual investment earnings | 1,477,671 | - |
| Contributions subsequent to the measurement date | <u>1,292,282</u> | <u>-</u> |
| Total | <u><u>\$ 3,697,182</u></u> | <u><u>\$ 453,622</u></u> |

| | Health Dept | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences in expected and actual experience | \$ 1,668 | \$ 32,344 |
| Changes in assumptions | - | 16,095 |
| Differences in projected and actual investment earnings | 41,881 | - |
| Contributions subsequent to the measurement date | <u>60,001</u> | <u>-</u> |
| Total | <u><u>\$ 103,550</u></u> | <u><u>\$ 48,439</u></u> |

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$1,352,283 will be recognized as a reduction of the net pension liability in the subsequent fiscal year, respectively. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ended September 30, | Net Deferred Outflows(Inflows) of Resources | |
|------------------------------------|--|-------------|
| | City | Health Dept |
| 2025 | \$ 773,403 | \$ (13,019) |
| 2026 | 590,724 | 1,254 |
| 2027 | 1,103,338 | 26,343 |
| 2028 | (516,187) | (19,468) |

G. Defined Benefit Pension Plan – Brownwood Firefighter’s Relief and Retirement Fund

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.

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.

The number of employees currently covered by the benefit terms is as follows:

| | |
|--|------------------|
| Inactive employees or beneficiaries currently receiving benefits | 25 |
| Active employees | <u>35</u> |
| Total | <u><u>60</u></u> |

Contribution 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 contribution policy of the Brownwood Firefighter’s Relief and Retirement Fund requires contributions equal to 14% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA effective October 1, 2023. Their rate previously had been 10%. The city normally contributes 20% of payroll, as it did for 2022 and 2023. The December 31, 2023 actuarial valuation included the assumption that the total contribution rate would continue to be 34%. The costs of administering the plan are paid from the Fund assets.

Ultimately, the contribution 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, 2023, the money-weighted rate of return on pension plan investments was 14.52%. 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.

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, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022 and rolled forward to December 31, 2023.

Actuarial Assumptions

The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation | 2.75% |
| Salary increases | 2.75%, plus promotion, step, and longevity increases that vary by service |
| Investment rate of return | 7.0%, net of pension plan investment expense, including inflation |

Mortality rates were based on the Pub S-2010 (public safety) below-median income mortality tables for employees and for 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 4.19%) and by adding expected inflation (2.75%) and rounding up.

The target asset 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 Portfolio Real Rate of Return |
|---------------------------|-------------------|--|
| Equities: | | |
| Large cap domestic | 24.0% | 5.40% |
| Small cap domestic | 13.0% | 5.90% |
| Developed international | 19.0% | 5.90% |
| Emerging markets | 7.0% | 7.40% |
| Fixed Income Investments: | | |
| Domestic Core | 18.0% | 2.90% |
| Nontraditional | 7.0% | 1.40% |
| Alternative Investments: | | |
| REIT | 5.0% | 0.90% |
| Credit Income | 5.0% | 1.90% |
| Cash and Equivalents | 2.0% | 0.00% |
| Total | 100.0% | |

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, 2023 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 24 years. Because of the 24-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.

Discount Rate Sensitivity Analysis. The following presents the City's proportionate share of the net pension liability, calculated using the discount rate of 7%, as well as what the City's proportionate share of the 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 (6.0%) | Discount Rate (7.0%) | 1% Increase in Discount Rate (8.0%) |
|--|---|-------------------------|---|
| City's proportionate share of the net pension liability | \$ 8,583,698 | \$ 6,985,164 | \$ 5,661,178 |

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.

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|--|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (c) |
| Balance at 12/31/2022 | \$ 11,907,044 | \$ 4,660,197 | \$ 7,246,847 |
| Changes for the year: | | | |
| Service cost | 297,886 | - | 297,886 |
| Interest | 834,276 | - | 834,276 |
| Difference between expected and actual experience | (119,994) | - | (119,994) |
| Change in assumptions | - | - | - |
| Contributions - employer | - | 442,271 | (442,271) |
| Contributions - employee | - | 246,134 | (246,134) |
| Net investment income | - | 681,727 | (681,727) |
| Benefit payments, including refunds of employee contributions | (573,403) | (573,403) | - |
| Administrative expense | - | (45,021) | 45,021 |
| Other changes | 51,260 | - | 51,260 |
| Net changes | 490,025 | 751,708 | (261,683) |
| Balance at 12/31/2023 | <u>\$ 12,397,069</u> | <u>\$ 5,411,905</u> | <u>\$ 6,985,164</u> |

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

For the year ended September 30, 2024, the City's pension expense was \$749,174. At September 30, 2024, the City reported its proportionate share of the TESRS's deferred outflows and inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual economic experience | \$ 114,290 | \$ 145,441 |
| Difference between projected and actual investment earnings | 439,507 | - |
| Changes in assumptions | <u>983,817</u> | <u>1,360,842</u> |
| Total | <u>\$ 1,537,614</u> | <u>\$ 1,506,283</u> |

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

| <u>For the Year Ended September 30</u> | |
|--|------------|
| 2025 | \$ 184,265 |
| 2026 | 66,094 |
| 2027 | (113,835) |
| 2028 | (70,664) |
| 2029 | (17,093) |
| Thereafter | (17,436) |

H. Commitments and Contingencies

Brownwood Municipal Development District (BMDD) has a building improvement incentive program that provides matching funds of up to \$25,000 upon completion of an approved project. Three projects totaling \$54,525 were approved and not yet funded at September 30, 2024.

In addition, a retail incentive to TABAT Properties, LTD was approved totaling \$1,000,000.00 was approved, but not funded. This will be funded in 3 tranches based on the completion of phases of construction.

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, 2024 including completion of a multipurpose event center, park improvements, water and sewer line improvements, lift station improvements, improvements to Bennie Houston Center and relocation of the health department

Litigation

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any, will be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

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, 2024 the unpaid balance was \$4,990,000. 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.

I. Risk Pool Participation

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.

J. Error Corrections

During Fiscal Year 2024, the City identified certain errors related to amounts reported in the prior year. Items reported for error corrections include the following:

- 1) In prior years, the City reported municipal fines receivable in the government-wide financial statements, but did not report a corresponding receivable and deferred inflow in the fund financial statements. This required a restatement of beginning fund balance and net position in the amount of (\$202,802)
- 2) Management is responsible for reporting financial activity for the twelve-month period ending September 30. In prior years, the City reported proprietary revenues and special revenue fund activity for inconsistent twelve-month periods. This required a restatement of beginning fund balances and net position of (\$18,888) in the governmental funds and \$1,287,166 in the proprietary funds, respectively.
- 3) In prior years, the City recognized a liability for compensated absences in the governmental funds. Per GASB Statement No. 16, compensated absences should be reported in the government-wide statements; governmental funds should only recognize the amount that is due and payable, per the modified accrual basis of accounting. This caused an understatement of fund balance and an overstatement in liabilities in the General Fund and nonmajor funds. This was corrected in fiscal year 2024, causing a restatement of beginning fund balance in the General Fund and nonmajor governmental funds in the amount of \$1,389,001 and \$31,768, respectively.

The restatement of beginning balances is as follows:

| | 9/30/2023 As Previously Reported | Error Correction (1) | Error Correction (2) | Error Correction (3) | 9/30/2023 As Restated |
|---------------------------|--|----------------------------|----------------------------|----------------------------|--------------------------|
| Government-Wide | | | | | |
| Governmental Activities | \$33,601,883 | \$ (202,802) | \$ - | \$ - | \$33,399,081 |
| Business-Type Activities | <u>22,181,626</u> | <u>-</u> | <u>1,287,166</u> | <u>-</u> | <u>23,468,792</u> |
| Total primary government | <u>55,783,509</u> | <u>(202,802)</u> | <u>1,287,166</u> | <u>-</u> | <u>56,867,873</u> |
| Governmental Funds | | | | | |
| General | 6,738,370 | (202,802) | - | 1,389,001 | 7,924,569 |
| Nonmajor Funds | <u>725,136</u> | <u>-</u> | <u>(18,888)</u> | <u>31,768</u> | <u>738,016</u> |
| Total governmental funds | <u>7,463,506</u> | <u>(202,802)</u> | <u>(18,888)</u> | <u>1,420,769</u> | <u>8,662,585</u> |
| Proprietary Funds | | | | | |
| Utility | 19,067,694 | - | 836,658 | - | 19,904,352 |
| Sanitation | 1,605,377 | - | 450,508 | - | 2,055,885 |
| Airport | <u>1,508,555</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,508,555</u> |
| Total proprietary funds | <u>\$22,181,626</u> | <u>\$ -</u> | <u>\$1,287,166</u> | <u>\$ -</u> | <u>\$23,468,792</u> |

K. New Accounting Standards

Significant new accounting standards issued by the GASB not yet implemented by the City include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* - This Statement requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of Statement No. 102 are effective for fiscal years beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* - The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability and address certain application issues. The requirements for Statement No. 103 are effective for fiscal years beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* - The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

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CITY OF BROWNWOOD, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|-----------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 7,106,305 | \$ 7,106,305 | \$ 7,171,550 | \$ 65,245 |
| Sales taxes | 6,883,402 | 6,883,402 | 7,072,866 | 189,464 |
| Other taxes | 3,404,173 | 3,404,173 | 3,688,818 | 284,645 |
| Licenses and fees | 144,500 | 144,500 | 153,216 | 8,716 |
| Intergovernmental | 1,945,777 | 1,945,777 | 2,653,230 | 707,453 |
| Charges for services | 381,500 | 381,500 | 342,025 | (39,475) |
| Investment earnings | 150,000 | 197,204 | 516,539 | 319,335 |
| Fines | 297,000 | 297,000 | 312,564 | 15,564 |
| Miscellaneous | 15,000 | 15,000 | - | (15,000) |
| Total revenues | <u>20,327,657</u> | <u>20,374,861</u> | <u>21,910,808</u> | <u>1,535,947</u> |
| EXPENDITURES | | | | |
| General Government: | | | | |
| City council | 69,737 | 69,737 | 70,469 | (732) |
| Administration | 378,269 | 402,274 | 401,039 | 1,235 |
| City secretary | 129,871 | 133,854 | 123,479 | 10,375 |
| Finance/accounting | 422,388 | 434,752 | 418,559 | 16,193 |
| Municipal court | 328,507 | 336,374 | 326,809 | 9,565 |
| Intergovernmental | 368,048 | 368,048 | 369,024 | (976) |
| Operations support | 154,165 | 154,899 | 154,578 | 321 |
| Purchasing/warehouse | 215,216 | 218,443 | 207,836 | 10,607 |
| Fleet services | 993,454 | 1,060,541 | 737,264 | 323,277 |
| City attorney | 228,556 | 232,409 | 231,597 | 812 |
| Communications | 92,327 | 104,808 | 72,968 | 31,840 |
| Human resources | 334,173 | 342,030 | 327,437 | 14,593 |
| Information technology | 1,092,961 | 1,112,241 | 799,246 | 312,995 |
| Total general government | <u>4,807,672</u> | <u>4,970,410</u> | <u>4,240,305</u> | <u>730,105</u> |
| Public Safety: | | | | |
| Police | 4,615,995 | 4,880,166 | 4,652,040 | 228,126 |
| Dispatch | 1,158,660 | 1,180,265 | 1,184,427 | (4,162) |
| Fire | 3,968,559 | 4,277,673 | 4,194,117 | 83,556 |
| Total public safety | <u>9,743,214</u> | <u>10,338,104</u> | <u>10,030,584</u> | <u>307,520</u> |
| Community Services: | | | | |
| Development services | 1,453,820 | 1,494,454 | 1,426,028 | 68,426 |
| Health | 341,039 | 596,909 | 1,525,549 | (928,640) |
| Community services | 474,298 | 484,298 | 486,938 | (2,640) |
| Community facilities | 901,592 | 909,657 | 3,306,216 | (2,396,559) |
| Transportation museum | 213,667 | 217,500 | 211,370 | 6,130 |
| Total community services | <u>3,384,416</u> | <u>3,702,818</u> | <u>6,956,101</u> | <u>(3,253,283)</u> |
| Public Works: | | | | |
| Street | 2,384,124 | 2,415,433 | 2,612,525 | (197,092) |
| Utility billing | 502,786 | 506,139 | 733,988 | (227,849) |
| Total public works | <u>2,886,910</u> | <u>2,921,572</u> | <u>3,346,513</u> | <u>(424,941)</u> |
| Parks and recreation: | | | | |
| Parks and recreation | 2,588,992 | 2,638,253 | 2,578,091 | 60,162 |
| Total parks and recreation | <u>2,588,992</u> | <u>2,638,253</u> | <u>2,578,091</u> | <u>60,162</u> |
| Total expenditures | <u>23,411,204</u> | <u>24,571,157</u> | <u>27,151,594</u> | <u>(2,580,437)</u> |
| NET CHANGE IN FUND BALANCE | <u>(3,083,547)</u> | <u>(4,196,296)</u> | <u>(5,240,786)</u> | <u>(1,044,490)</u> |
| FUND BALANCE - BEGINNING | <u>7,924,569</u> | <u>7,924,569</u> | <u>7,924,569</u> | <u>-</u> |
| FUND BALANCE - ENDING | <u>\$ 4,841,022</u> | <u>\$ 3,728,273</u> | <u>\$ 2,683,783</u> | <u>\$ (1,044,490)</u> |

CITY OF BROWNWOOD, TEXAS

**RECONCILIATION FOR GENERAL FUND
BUDGET VS. GAAP PRESENTATION**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Revenues

| | |
|---|-------------------|
| Actual amounts (budgetary basis) revenues from the budgetary comparison schedule. | \$ 21,910,808 |
| Revenues of non-budgeted funds | |
| Charges for services | 3,181,297 |
| Investment earnings | 164,880 |
| Fines | 19,049 |
| Miscellaneous | 202,857 |
| The City does not budget for certain grant and contribution revenues. | <u>3,193,353</u> |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances governmental fund. | <u>28,672,244</u> |

Expenditures

| | |
|---|-------------------|
| Actual amount (budgetary basis) expenditures from the budgetary comparison schedule. | 27,151,594 |
| Expenditures of non-budgeted funds | |
| General Government: | |
| Municipal court | 150,867 |
| Intergovernmental | 14 |
| General fund contingency | <u>129,082</u> |
| Total general government | <u>279,963</u> |
| Public Safety: | |
| Police | 337,476 |
| Dispatch | 4,911 |
| Fire | <u>63,446</u> |
| Total public safety | <u>405,833</u> |
| Community Services: | |
| Health | 62,063 |
| Community services | 11,413 |
| Community facilities | 3,169,689 |
| Community development | 149,686 |
| Transportation museum | <u>4,314</u> |
| Total community services | <u>3,397,165</u> |
| Public Works: | |
| Street | 82,677 |
| Utility billing | <u>209,743</u> |
| Total public works | <u>292,420</u> |
| Parks and recreation: | |
| Parks and recreation | <u>2,342,597</u> |
| Total parks and recreation | <u>2,342,597</u> |
| Capital outlay: | |
| Capital outlay: | <u>517,963</u> |
| Total capital outlay | <u>517,963</u> |
| Debt service: | |
| Principal | 1,241,682 |
| Interest | <u>137,702</u> |
| Total debt service | <u>1,379,384</u> |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances governmental fund. | <u>35,766,919</u> |

CITY OF BROWNWOOD, TEXAS

**RECONCILIATION FOR GENERAL FUND
BUDGET VS. GAAP PRESENTATION
(CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Other financing sources (uses)

| | | |
|---|----|------------------|
| Actual amount (budgetary basis) other financing sources (uses) from the budgetary comparison schedule. | \$ | - |
| Other financing sources of non-budgeted funds | | |
| Note proceeds | | 1,266,336 |
| Lease issuance | | 470,274 |
| Subscription financing | | 47,689 |
| Sale of assets | | 111,028 |
| Transfers out | | <u>(60,768)</u> |
| Total other financing sources (uses) of non-budgeted funds | | <u>1,834,559</u> |
| Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances governmental fund. | \$ | <u>1,834,559</u> |

CITY OF BROWNWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Measurement period ended December 31, | 2023 | 2022 | 2021 | 2020 |
|--|---------------------|----------------------|---------------------|---------------------|
| A. Total pension liability | | | | |
| Service Cost | \$ 1,829,168 | \$ 1,688,257 | \$ 1,594,738 | \$ 1,656,381 |
| Interest (on the Total Pension Liability) | 4,277,054 | 4,025,717 | 3,811,985 | 3,662,099 |
| Difference between expected and actual experience | 400,277 | 1,100,549 | 706,160 | (258,868) |
| Changes in assumptions | (638,021) | - | - | - |
| Benefit payments, including refunds of employee contributions | <u>(3,309,907)</u> | <u>(3,013,031)</u> | <u>(2,973,462)</u> | <u>(2,643,040)</u> |
| Net change in total pension liability | 2,558,571 | 3,801,492 | 3,139,421 | 2,416,572 |
| Total pension liability - beginning | <u>64,104,127</u> | <u>60,302,635</u> | <u>57,163,214</u> | <u>54,746,642</u> |
| Total pension liability - ending (a) | <u>66,662,698</u> | <u>64,104,127</u> | <u>60,302,635</u> | <u>57,163,214</u> |
| B. Plan fiduciary net position | | | | |
| Contributions - Employer | 1,556,936 | 1,400,837 | 1,330,331 | 1,429,684 |
| Contributions - Employee | 810,904 | 747,942 | 711,694 | 748,526 |
| Net Investment Income | 6,201,493 | (4,287,822) | 6,887,918 | 3,761,947 |
| Benefit payments, including refunds of employee contributions | (3,309,907) | (3,013,031) | (2,973,462) | (2,643,040) |
| Administrative Expenses | (39,494) | (37,131) | (31,883) | (24,355) |
| Other | <u>(275)</u> | <u>44,309</u> | <u>218</u> | <u>(951)</u> |
| Net change in plan fiduciary net position | 5,219,657 | (5,144,896) | 5,924,816 | 3,271,811 |
| Plan fiduciary net position - beginning | <u>53,637,906</u> | <u>58,782,802</u> | <u>52,857,986</u> | <u>49,586,175</u> |
| Plan fiduciary net position - ending (b) | <u>58,857,563</u> | <u>53,637,906</u> | <u>58,782,802</u> | <u>52,857,986</u> |
| C. Net pension liability - ending (a) - (b) | <u>\$ 7,805,135</u> | <u>\$ 10,466,221</u> | <u>\$ 1,519,833</u> | <u>\$ 4,305,228</u> |
| D. Plan fiduciary net position as a percentage of total pension liability | 88.29% | 83.67% | 97.48% | 92.47% |
| E. Covered payroll | \$ 11,596,912 | \$ 10,685,173 | \$10,055,095 | \$10,693,227 |
| F. Net position liability as a percentage of covered payroll | 67.30% | 97.95% | 15.12% | 40.26% |

| <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,566,926 | \$ 1,520,893 | \$ 1,508,507 | \$ 1,469,768 | \$ 1,371,151 | \$ 1,271,262 |
| 3,516,776 | 3,365,563 | 3,224,688 | 3,082,792 | 3,072,001 | 2,978,273 |
| (378,117) | (79,402) | (232,661) | (282,788) | (811,345) | (993,709) |
| 23,428 | - | - | - | 155,985 | - |
| <u>(2,598,580)</u> | <u>(2,581,187)</u> | <u>(2,258,196)</u> | <u>(2,115,766)</u> | <u>(1,987,889)</u> | <u>(1,945,700)</u> |
| 2,130,433 | 2,225,867 | 2,242,338 | 2,154,006 | 1,799,903 | 1,310,126 |
| <u>52,616,209</u> | <u>50,390,342</u> | <u>48,148,004</u> | <u>45,993,998</u> | <u>44,194,095</u> | <u>42,883,969</u> |
| <u>54,746,642</u> | <u>52,616,209</u> | <u>50,390,342</u> | <u>48,148,004</u> | <u>45,993,998</u> | <u>44,194,095</u> |
| 1,324,616 | 1,322,217 | 1,333,369 | 1,314,906 | 1,315,768 | 1,276,612 |
| 705,457 | 685,087 | 677,329 | 656,984 | 625,281 | 601,366 |
| 6,719,995 | (1,360,949) | 5,564,415 | 2,552,844 | 55,774 | 2,050,213 |
| (2,598,580) | (2,581,187) | (2,258,196) | (2,115,766) | (1,987,889) | (1,945,700) |
| (37,977) | (26,304) | (28,838) | (28,829) | (33,971) | (21,405) |
| <u>(1,141)</u> | <u>(1,374)</u> | <u>(1,462)</u> | <u>(1,553)</u> | <u>(1,679)</u> | <u>(1,760)</u> |
| 6,112,370 | (1,962,510) | 5,286,617 | 2,378,586 | (26,716) | 1,959,326 |
| <u>43,473,805</u> | <u>45,436,315</u> | <u>40,149,698</u> | <u>37,771,112</u> | <u>37,797,828</u> | <u>35,838,502</u> |
| <u>49,586,175</u> | <u>43,473,805</u> | <u>45,436,315</u> | <u>40,149,698</u> | <u>37,771,112</u> | <u>37,797,828</u> |
| <u>\$ 5,160,467</u> | <u>\$ 9,142,404</u> | <u>\$ 4,954,027</u> | <u>\$ 7,998,306</u> | <u>\$ 8,222,886</u> | <u>\$ 6,396,267</u> |
| 90.57% | 82.62% | 90.17% | 83.39% | 82.12% | 85.53% |
| \$ 10,083,176 | \$ 9,786,957 | \$ 9,676,122 | \$ 9,385,489 | \$ 8,932,582 | \$ 8,590,941 |
| 51.18% | 93.41% | 51.20% | 85.22% | 92.05% | 74.45% |

CITY OF BROWNWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Measurement period ended December 31, | 2023 | 2022 | 2021 | 2020 |
|--|-------------------|-------------------|-------------------|-------------------|
| A. Total pension liability | | | | |
| Service Cost | \$ 297,886 | \$ 289,913 | \$ 301,276 | \$ 480,945 |
| Interest (on the Total Pension Liability) | 834,276 | 801,292 | 763,558 | 676,034 |
| Changes in benefit terms | 51,260 | - | 18,991 | - |
| Difference between expected and actual experience | (119,994) | - | 200,860 | - |
| Changes in assumptions | - | - | (16,232) | (3,362,358) |
| Benefit payments, including refunds of employee contributions | <u>(573,403)</u> | <u>(682,551)</u> | <u>(753,527)</u> | <u>(480,748)</u> |
| Net change in total pension liability | 490,025 | 408,654 | 514,926 | (2,686,127) |
| Total pension liability - beginning | <u>11,907,044</u> | <u>11,498,390</u> | <u>10,983,464</u> | <u>13,669,591</u> |
| Total pension liability - ending (a) | <u>12,397,069</u> | <u>11,907,044</u> | <u>11,498,390</u> | <u>10,983,464</u> |
| B. Plan fiduciary net position | | | | |
| Contributions - Employer | 442,271 | 430,192 | 398,825 | 413,686 |
| Contributions - Employee | 246,134 | 215,064 | 170,894 | 164,262 |
| Net Investment Income | 681,727 | (1,060,786) | 594,372 | 663,653 |
| Benefit payments, including refunds of employee contributions | (573,403) | (682,551) | (753,527) | (480,748) |
| Administrative Expenses | <u>(45,021)</u> | <u>(30,811)</u> | <u>(30,331)</u> | <u>(7,260)</u> |
| Net change in plan fiduciary net position | 751,708 | (1,128,892) | 380,233 | 753,593 |
| Plan fiduciary net position - beginning | <u>4,660,197</u> | <u>5,789,089</u> | <u>5,408,856</u> | <u>4,655,263</u> |
| Plan fiduciary net position - ending (b) | <u>5,411,905</u> | <u>4,660,197</u> | <u>5,789,089</u> | <u>5,408,856</u> |
| C. Net pension liability - ending (a) - (b) | \$ 6,985,164 | \$ 7,246,847 | \$ 5,709,301 | \$ 5,574,608 |
| D. Plan fiduciary net position as a percentage of total pension liability | 43.65% | 39.14% | 50.35% | 49.25% |
| E. Covered payroll | \$ 2,211,355 | \$ 2,150,640 | \$ 1,994,125 | \$ 2,053,275 |
| F. Net position liability as a percentage of covered payroll | 315.88% | 336.96% | 286.31% | 271.50% |

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 264,992 | \$ 256,651 | \$ 237,308 | \$ 229,505 | \$ 219,098 | \$ 211,640 |
| 693,266 | 667,406 | 640,267 | 611,749 | 586,487 | 561,844 |
| - | - | - | - | - | - |
| (168,400) | - | 70,132 | - | (42,542) | - |
| 3,856,465 | - | 146,910 | - | 87,541 | - |
| <u>(548,066)</u> | <u>(603,337)</u> | <u>(517,907)</u> | <u>(409,456)</u> | <u>(418,411)</u> | <u>(486,325)</u> |
| 4,098,257 | 320,720 | 576,710 | 431,798 | 432,173 | 287,159 |
| <u>9,571,334</u> | <u>9,250,614</u> | <u>8,673,904</u> | <u>8,242,106</u> | <u>7,809,933</u> | <u>7,522,774</u> |
| <u>13,669,591</u> | <u>9,571,334</u> | <u>9,250,614</u> | <u>8,673,904</u> | <u>8,242,106</u> | <u>7,809,933</u> |
| 423,515 | 386,967 | 369,559 | 355,382 | 340,092 | 323,975 |
| 161,339 | 152,982 | 147,813 | 142,143 | 136,036 | 129,581 |
| 796,428 | (226,615) | 552,099 | 156,321 | (85,706) | 62,582 |
| (548,066) | (603,337) | (517,907) | (409,456) | (418,411) | (486,325) |
| <u>(12,004)</u> | <u>(34,036)</u> | <u>(11,050)</u> | <u>(24,288)</u> | <u>(18,346)</u> | <u>(12,414)</u> |
| 821,212 | (324,039) | 540,514 | 220,102 | (46,335) | 17,399 |
| <u>3,834,051</u> | <u>4,158,090</u> | <u>3,617,576</u> | <u>3,397,474</u> | <u>3,443,809</u> | <u>3,426,410</u> |
| <u>4,655,263</u> | <u>3,834,051</u> | <u>4,158,090</u> | <u>3,617,576</u> | <u>3,397,474</u> | <u>3,443,809</u> |
| \$ 9,014,328 | \$ 5,737,283 | \$ 5,092,524 | \$ 5,056,328 | \$ 4,844,632 | \$ 4,366,124 |
| 34.06% | 40.06% | 44.95% | 41.71% | 41.22% | 44.10% |
| \$ 2,016,738 | \$ 1,912,275 | \$ 1,847,663 | \$ 1,776,788 | \$ 1,700,450 | \$ 1,619,763 |
| 446.98% | 300.02% | 275.62% | 284.58% | 284.90% | 269.55% |

CITY OF BROWNWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Measurement period ended December 31, | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|------------------|------------------|
| A. Total pension liability | | | | |
| Service Cost | \$ 128,112 | \$ 125,162 | \$ 81,915 | \$ 73,369 |
| Interest (on the Total Pension Liability) | 129,119 | 119,469 | 117,829 | 110,437 |
| Difference between expected and actual experience | (4,384) | (10,012) | (78,033) | 29,457 |
| Changes in assumptions | (20,554) | - | - | - |
| Benefit payments, including refunds of employee contributions | <u>(82,831)</u> | <u>(103,426)</u> | <u>(134,661)</u> | <u>(81,379)</u> |
| Net change in total pension liability | 149,462 | 131,193 | (12,950) | 131,884 |
| Total pension liability - beginning | <u>1,890,232</u> | <u>1,759,039</u> | <u>1,771,989</u> | <u>1,640,105</u> |
| Total pension liability - ending (a) | <u>2,039,694</u> | <u>1,890,232</u> | <u>1,759,039</u> | <u>1,771,989</u> |
| B. Plan fiduciary net position | | | | |
| Contributions - Employer | 88,849 | 97,563 | 63,515 | 52,498 |
| Contributions - Employee | 58,729 | 56,488 | 38,561 | 34,538 |
| Net Investment Income | 194,928 | (128,528) | 207,064 | 111,673 |
| Benefit payments, including refunds of employee contributions | (82,831) | (103,426) | (134,661) | (81,379) |
| Administrative Expenses | (1,244) | (1,117) | (962) | (726) |
| Other | <u>(11)</u> | <u>1,333</u> | <u>8</u> | <u>(28)</u> |
| Net change in plan fiduciary net position | 258,420 | (77,687) | 173,525 | 116,576 |
| Plan fiduciary net position - beginning | <u>1,690,180</u> | <u>1,767,867</u> | <u>1,594,342</u> | <u>1,477,766</u> |
| Plan fiduciary net position - ending (b) | <u>1,948,600</u> | <u>1,690,180</u> | <u>1,767,867</u> | <u>1,594,342</u> |
| C. Net pension liability - ending (a) - (b) | \$ 91,094 | \$ 200,052 | \$ (8,828) | \$ 177,647 |
| D. Plan fiduciary net position as a percentage of total pension liability | 95.53% | 89.42% | 100.50% | 89.97% |
| E. Covered payroll | \$ 851,244 | \$ 806,975 | \$ 550,872 | \$ 493,400 |
| F. Net position liability as a percentage of covered payroll | 10.70% | 24.79% | -1.60% | 36.00% |

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 66,714 | \$ 66,235 | \$ 68,378 | \$ 65,562 | \$ 62,460 | \$ 59,025 |
| 100,673 | 92,725 | 90,878 | 88,546 | 84,570 | 80,118 |
| 26,394 | 46,484 | (48,929) | (48,925) | 16,940 | 8,050 |
| 29,031 | - | - | - | 27,809 | - |
| <u>(81,592)</u> | <u>(94,293)</u> | <u>(69,495)</u> | <u>(74,592)</u> | <u>(104,759)</u> | <u>(65,871)</u> |
| 141,220 | 111,151 | 40,832 | 30,591 | 87,020 | 81,322 |
| <u>1,498,885</u> | <u>1,387,734</u> | <u>1,346,902</u> | <u>1,316,311</u> | <u>1,229,291</u> | <u>1,147,969</u> |
| <u>1,640,105</u> | <u>1,498,885</u> | <u>1,387,734</u> | <u>1,346,902</u> | <u>1,316,311</u> | <u>1,229,291</u> |
| 43,905 | 46,373 | 46,376 | 40,122 | 36,407 | 31,483 |
| 31,624 | 30,423 | 31,325 | 30,035 | 29,462 | 27,582 |
| 197,951 | (40,102) | 162,122 | 74,773 | 1,689 | 62,351 |
| (81,592) | (94,293) | (69,495) | (74,592) | (104,759) | (65,871) |
| (1,124) | (779) | (845) | (845) | (1,029) | (651) |
| <u>(34)</u> | <u>(40)</u> | <u>(43)</u> | <u>(46)</u> | <u>(50)</u> | <u>(54)</u> |
| 190,730 | (58,418) | 169,440 | 69,447 | (38,280) | 54,840 |
| <u>1,287,036</u> | <u>1,345,454</u> | <u>1,176,014</u> | <u>1,106,567</u> | <u>1,144,847</u> | <u>1,090,007</u> |
| <u>1,477,766</u> | <u>1,287,036</u> | <u>1,345,454</u> | <u>1,176,014</u> | <u>1,106,567</u> | <u>1,144,847</u> |
| \$ 162,339 | \$ 211,849 | \$ 42,280 | \$ 170,888 | \$ 209,744 | \$ 84,444 |
| 90.10% | 85.87% | 96.95% | 87.31% | 84.07% | 93.13% |
| \$ 446,547 | \$ 434,613 | \$ 447,500 | \$ 429,068 | \$ 420,889 | \$ 394,031 |
| 36.35% | 48.74% | 9.45% | 39.83% | 49.83% | 21.43% |

CITY OF BROWNWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Fiscal year ended September 30, | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| Actuarial determined contribution | \$ 489,881 | \$ 430,801 | \$ 430,192 | \$ 403,601 |
| Contributions in relation to the actuarially determined contribution | <u>489,881</u> | <u>430,801</u> | <u>430,192</u> | <u>403,601</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 2,486,092 | \$ 2,154,004 | \$ 2,150,962 | \$ 2,018,006 |
| Contributions as a percentage of covered payroll | 19.70% | 20.00% | 20.00% | 20.00% |

NOTES TO SCHEDULE OF 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 | Entry Age |
| Amortization Method | Actuarially determine using an open, level percentage of payroll. |
| Remaining Amortization Period | 53 Years |
| Inflation | 2.75% |
| Salary Increases | 2.75% plus promotion, step and longevity increases that vary by service |
| Investment Rate of Return | 7.0%, net of pension plan investment expense, including inflation |
| Retirement Age | Age 50 with 20 years of service |
| 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.

| <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ 423,515 | \$ 386,967 | \$ 369,559 | \$ 355,382 | \$ 340,092 | \$ 323,975 |
| <u>423,515</u> | <u>386,967</u> | <u>369,559</u> | <u>355,382</u> | <u>340,092</u> | <u>323,975</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 2,016,738 | \$ 1,912,275 | \$ 1,847,663 | \$ 1,776,788 | \$ 1,700,450 | \$ 1,619,763 |
| 21.00% | 20.24% | 20.00% | 20.00% | 20.00% | 20.00% |

CITY OF BROWNWOOD, TEXAS

**TEXAS MUNICIPAL RETIREMENT SYSTEM PLAN 10190 CITY
SCHEDULE OF CONTRIBUTIONS**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Fiscal year ended September 30, | 2024 | 2023 | 2022 | 2021 |
|--|------------------|------------------|------------------|------------------|
| Actuarial determined contribution | \$ 1,728,154 | \$ 1,519,745 | \$ 1,365,299 | \$ 1,341,052 |
| Contributions in relation to the actuarially determined contribution | <u>1,728,154</u> | <u>1,519,745</u> | <u>1,365,299</u> | <u>1,341,052</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 12,180,035 | \$ 11,381,984 | \$ 10,414,181 | \$ 10,172,140 |
| Contributions as a percentage of covered payroll | 14.19% | 13.35% | 13.11% | 13.18% |

NOTES TO SCHEDULE OF 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 | 23 Years (longest amortization ladder) |
| Asset Valuation Method | 10 Year smoothed fair value; 12% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.5% to 11.5% 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.

| <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 1,359,045 | \$ 1,331,684 | \$ 1,307,905 | \$ 1,337,744 | \$ 1,369,431 | \$ 1,299,125 |
| <u>1,359,045</u> | <u>1,331,684</u> | <u>1,307,905</u> | <u>1,337,744</u> | <u>1,369,431</u> | <u>1,299,125</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 10,207,847 | \$ 10,073,473 | \$ 9,636,494 | \$ 9,670,777 | \$ 9,647,016 | \$ 8,798,850 |
| 13.31% | 13.22% | 13.57% | 13.83% | 14.20% | 14.76% |

CITY OF BROWNWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Fiscal year ended September 30, | 2024 | 2023 | 2022 | 2021 |
|--|---------------|---------------|---------------|---------------|
| Actuarial determined contribution | \$ 84,454 | \$ 94,540 | \$ 93,270 | \$ 53,365 |
| Contributions in relation to the actuarially determined contribution | <u>84,454</u> | <u>94,540</u> | <u>93,270</u> | <u>53,365</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 855,269 | \$ 858,930 | \$ 781,330 | \$ 473,289 |
| Contributions as a percentage of covered payroll | 9.87% | 11.01% | 11.94% | 11.28% |

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 22 Years |
| Asset Valuation Method | 10 Year smoothed fair value; 12% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.60% to 11.85% 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 2023 valuation pursuant to an experience study of the period 2022. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |

Other Information:

Notes

There were no benefit changes during the year.

| 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---------------|---------------|---------------|----------------|---------------|---------------|
| \$ 48,615 | \$ 44,396 | \$ 46,374 | \$ 44,912 | \$ 40,367 | \$ 35,246 |
| <u>48,615</u> | <u>44,396</u> | <u>46,374</u> | <u>44,930</u> | <u>40,367</u> | <u>35,246</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (18)</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 463,767 | \$ 438,725 | \$ 437,705 | \$ 443,482 | \$ 440,225 | \$ 415,734 |
| 10.48% | 10.12% | 10.59% | 10.13% | 9.17% | 8.48% |

CITY OF BROWNWOOD, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Budgetary Information

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 Reconciliation for General Fund – Budget vs. GAAP Presentation.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

CITY OF BROWNWOOD, TEXAS

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

| | | | <u>Special Revenue Funds</u> | |
|--------------------------------------|-------------------------|-----------------------------|---|--------------------------|
| | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Senior Citizens Programs</u> | <u>Health Grants</u> |
| ASSETS | | | | |
| Receivables, net | \$ 59,726 | \$ - | \$ 43,676 | \$ 71,863 |
| Restricted assets | 24,981 | 137,257 | - | - |
| Leases receivable | - | - | - | - |
| Total assets | <u>84,707</u> | <u>137,257</u> | <u>43,676</u> | <u>71,863</u> |
| LIABILITIES | | | | |
| Accounts payable | - | - | 12,098 | 20,942 |
| Accrued salaries | - | - | 8,928 | 4,065 |
| Due to other funds | 200 | - | 56,278 | 91,420 |
| Unearned revenue | - | - | - | 8,935 |
| Total Liabilities | <u>200</u> | <u>-</u> | <u>77,304</u> | <u>125,362</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 47,692 | - | - | - |
| Related to leases | - | - | - | - |
| Total deferred inflows of resources | <u>47,692</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Restricted for: | | | | |
| Tourism promotion | - | - | - | - |
| Debt service | 36,815 | - | - | - |
| Fabis Park | - | - | - | - |
| Construction | - | 137,257 | - | - |
| Health and nutrition programs | - | - | - | - |
| Unassigned | - | - | (33,628) | (53,499) |
| Total fund balances | <u>36,815</u> | <u>137,257</u> | <u>(33,628)</u> | <u>(53,499)</u> |
| Total liabilities and fund balances | <u>\$ 84,707</u> | <u>\$ 137,257</u> | <u>\$ 43,676</u> | <u>\$ 71,863</u> |

| Special Revenue Funds | | | |
|-----------------------|---------------------------|------------------|------------------------------------|
| WIC Program | Hotel Occupancy Tax | Fabis Park | Total Non-major Governmental |
| \$ 146,812 | \$ 115,633 | \$ 1,939 | \$ 439,649 |
| - | 294,932 | 39,362 | 496,532 |
| - | - | 5,712 | 5,712 |
| <u>146,812</u> | <u>410,565</u> | <u>47,013</u> | <u>941,893</u> |
| 4,337 | 1,309 | - | 38,686 |
| 6,927 | 3,993 | - | 23,913 |
| 52,822 | - | - | 200,720 |
| - | - | - | 8,935 |
| <u>64,086</u> | <u>5,302</u> | <u>-</u> | <u>272,254</u> |
| - | - | - | 47,692 |
| - | - | 4,661 | 4,661 |
| - | - | 4,661 | 52,353 |
| - | 405,263 | - | 405,263 |
| - | - | - | 36,815 |
| - | - | 42,352 | 42,352 |
| - | - | - | 137,257 |
| 82,726 | - | - | 82,726 |
| - | - | - | (87,127) |
| <u>82,726</u> | <u>405,263</u> | <u>42,352</u> | <u>617,286</u> |
| <u>\$ 146,812</u> | <u>\$ 410,565</u> | <u>\$ 47,013</u> | <u>\$ 941,893</u> |

CITY OF BROWNWOOD, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | | | <u>Special Revenue Funds</u> | |
|--|-------------------------|-----------------------------|---|--------------------------|
| | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Senior Citizens Programs</u> | <u>Health Grants</u> |
| REVENUES | | | | |
| Property taxes | \$ 1,083,825 | \$ - | \$ - | \$ - |
| Other taxes | - | - | - | - |
| Charges for services | - | - | - | - |
| Grants and contributions | - | - | 906,799 | 398,658 |
| Investments earnings | 10,479 | - | - | - |
| Miscellaneous | <u>-</u> | <u>-</u> | <u>7,088</u> | <u>36,953</u> |
| Total revenues | <u>1,094,304</u> | <u>-</u> | <u>913,887</u> | <u>435,611</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Community services | - | - | 913,133 | 471,799 |
| Parks and recreation | - | - | - | - |
| Debt service: | | | | |
| Principal | 1,022,700 | - | - | - |
| Interest | 160,249 | - | - | - |
| Bond fees | <u>806</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>1,183,755</u> | <u>-</u> | <u>913,133</u> | <u>471,799</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(89,451)</u> | <u>-</u> | <u>754</u> | <u>(36,188)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>60,768</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>60,768</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>(28,683)</u> | <u>-</u> | <u>754</u> | <u>(36,188)</u> |
| FUND BALANCE - BEGINNING, AS PREVIOUSLY REPORTED | 65,498 | 137,257 | (49,169) | (4,698) |
| ADJUSTMENT - ERROR CORRECTION | <u>-</u> | <u>-</u> | <u>14,787</u> | <u>(12,613)</u> |
| FUND BALANCE - BEGINNING, AS RESTATED | <u>65,498</u> | <u>137,257</u> | <u>(34,382)</u> | <u>(17,311)</u> |
| FUND BALANCE - ENDING | <u>\$ 36,815</u> | <u>\$ 137,257</u> | <u>\$ (33,628)</u> | <u>\$ (53,499)</u> |

| Special Revenue Funds | | | |
|-----------------------|---------------------------|------------------|--------------------------------|
| WIC Program | Hotel Occupancy Tax | Fabis Park | Total Governmental Funds |
| \$ - | \$ - | \$ - | \$ 1,083,825 |
| - | 498,859 | - | 498,859 |
| - | - | 2,235 | 2,235 |
| 457,315 | - | - | 1,762,772 |
| - | - | 2,242 | 12,721 |
| - | 3,245 | - | 47,286 |
| <u>457,315</u> | <u>502,104</u> | <u>4,477</u> | <u>3,407,698</u> |
| - | 568,227 | - | 568,227 |
| 449,334 | - | - | 1,834,266 |
| - | - | 2,948 | 2,948 |
| - | - | - | 1,022,700 |
| - | - | - | 160,249 |
| - | - | - | 806 |
| <u>449,334</u> | <u>568,227</u> | <u>2,948</u> | <u>3,589,196</u> |
| <u>7,981</u> | <u>(66,123)</u> | <u>1,529</u> | <u>(181,498)</u> |
| - | - | - | 60,768 |
| - | - | - | 60,768 |
| <u>7,981</u> | <u>(66,123)</u> | <u>1,529</u> | <u>(120,730)</u> |
| 64,039 | 471,386 | 40,823 | 725,136 |
| <u>10,706</u> | <u>-</u> | <u>-</u> | <u>12,880</u> |
| <u>74,745</u> | <u>471,386</u> | <u>40,823</u> | <u>738,016</u> |
| <u>\$ 82,726</u> | <u>\$ 405,263</u> | <u>\$ 42,352</u> | <u>\$ 617,286</u> |

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COMPLIANCE SECTION

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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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brownwood, Texas (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2025.

Report Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Summary Schedule of Audit Findings as items 2024-001 and 2024-002 that we consider to be material weaknesses.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Report on Compliance and Other Matters

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

Purpose of this Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 27, 2025



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Brownwood, Texas' (the "City") 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 the City's major federal programs for the year ended September 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's 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 the City's federal programs.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of Compliance

Our 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 the City's compliance based on our 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 GAAS, *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 the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- 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 the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are 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 we 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.

Our 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 our audit we did not identify any deficiencies in internal control over compliance that we 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.

Our 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 our 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 27, 2025

CITY OF BROWNWOOD, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Federal Grantor/Pass-through Grantor/ Program Title | Assistance Listing Number | Pass-through Entity Identifying Number | Federal Expenditures | Pass-through Expenditures |
|---|---------------------------------|--|-------------------------|------------------------------|
| <u>U.S. Department of Agriculture</u> | | | | |
| Passed through Texas Health and Human Services Commission: | | | | |
| WIC Special Supplemental Nutrition Program Woment, Infants and Children | 10.557 | HHS000801200001 | \$ 228,046 | \$ - |
| Registered Dietician | 10.557 | HHS000801200001 | 14,542 | - |
| Peer Counselor | 10.557 | HHS000801200001 | 74,684 | - |
| Lactation Grant | 10.557 | HHS000801200001 | 21,594 | - |
| Extra funding - other | 10.557 | HHS000801200001 | 78,944 | - |
| Employee Retention | 10.557 | HHS000801200001 | 25,604 | - |
| SNAP - ED | 10.557 | HHS000801200001 | 13,901 | - |
| Subtotal 10.557 | | | 457,315 | - |
| Total Passed through Texas Health and Human Services Commission | | | 457,315 | - |
| Total U.S. Department of Agriculture | | | 457,315 | - |
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Passed through Texas Department of Agriculture: | | | | |
| TxCDBG Water/Sewer Line Improvements | 14.228 | CDV21-0070 | 185,831 | - |
| Total Passed through Texas Department of Agriculture | | | 185,831 | - |
| Total U.S. Department of Housing and Urban Development | | | 185,831 | - |
| <u>U.S. Department of Treasury</u> | | | | |
| Passed through Texas Department of Emergency Management: | | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | N/A | 2,342,597 | - |
| Total Passed through Texas Department of Emergency Management | | | 2,342,597 | - |
| Total U.S. Department of Treasury | | | 2,342,597 | - |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Passed through National Association of County and City Health Officials: | | | | |
| Medical Reserve Corps Small Grant Program - Operation Readiness | 93.008 | MRC 24-2657 | 5,000 | - |
| Medical Reserve Corps Small Grant Program -STTRONG Grant | 93.008 | HHS001409300001 | 18,614 | - |
| Subtotal 93.008 | | | 23,614 | - |
| Total Passed through National Association of County and City Health Officials | | | 23,614 | - |
| Aging Cluster: | | | | |
| Passed through West Central Texas Countcil of Governments: | | | | |
| Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | 539-16-0010-00001 | 246,120 | - |
| Total Aging Cluster | | | 246,120 | - |
| Passed through National Council on Aging: | | | | |
| Special Programs for the Aging, Title V-I, and Title II, Discretionary Projects | 93.048 | 90HDCRC0008-01-00 | 51,065 | - |
| Total Passed through National Council on Aging | | | 51,065 | - |
| Passed through Texas Department of State Health Services: | | | | |
| Public Health Emergency Preparedness: Bio-Terrorism CPS Hazard | 93.069 | HHS001311200002 | 110,184 | - |
| Immunization Branch Locals | 93.268 | HHS001331300030 | 146,184 | - |
| COVID-19 Epidemiology and Laboratory Capacity of Infectious Diseases | 93.323 | HHS000812700041 | 176,299 | - |
| COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Reponse - Public Health Crisis Response - Workforce | 93.354 | HHS001074500001 | 88,026 | - |
| COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises | 93.391 | HHS001057600008 | 39,860 | - |
| COVID-19 Strengthening Public Health Infrastructure, Workforce and Data | 93.967 | HHS001309900001 | 53,140 | - |
| Preventive Health and Health Services Block Grant | 93.991 | HHS001324900010 | 9,761 | - |
| Total Passed through Texas Department of State Health Services | | | 623,454 | - |

CITY OF BROWNWOOD, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

| Federal Grantor/Pass-through Grantor/ Program Title | Assistance Listing Number | Pass-through Entity Identifying Number | Federal Expenditures | Pass-through Expenditures |
|--|---------------------------------|--|-------------------------|------------------------------|
| <u>U.S. Department of Health and Human Services (Continued)</u> | | | | |
| Passed through Texas Health and Human Services Commission: | | | | |
| Social Services Block Grant | 93.667 | HHSC000169900 | \$ 106,519 | \$ - |
| Medical Assistance Program (Medicaid Cluster) | 93.778 | HHS000537900332 | 17,190 | - |
| Total Passed through Texas Health and Human Services Commission | | | <u>123,709</u> | <u>-</u> |
| Total U.S. Department of Health and Human Services | | | <u>1,067,962</u> | <u>-</u> |
| <u>U.S. Department of Homeland Security:</u> | | | | |
| Passed through Texas Department of Emergency Management: | | | | |
| Assistance to Firefighters Grant | 97.044 | EMS-2023-FG-04768 | 51,210 | - |
| Total Passed through Texas Department of Emergency Management | | | <u>51,210</u> | <u>-</u> |
| Total U.S. Department of Homeland Security | | | <u>51,210</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 4,104,915</u> | <u>\$ -</u> |

The accompanying notes are an integral part of this schedule.

CITY OF BROWNWOOD, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2024

1. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of the City. The City's reporting entity is defined in Note I of the basic financial statements. Federal awards received directly from federal agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

3. PASS-THROUGH EXPENDITURES

None of the Federal Programs expended by the City were provided to subrecipients.

4. INDIRECT COSTS

The City has elected not to use the de minimis indirect cost rate as allowed in the Uniform Guidance.

CITY OF BROWNWOOD, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? 2024-001, 2024-002

Significant deficiencies identified that are not
considered to be material weaknesses? None reported

Noncompliance material to the financial statements
noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not
considered to be material weaknesses? None reported

Type of auditor's report issued on compliance with
major programs. Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516 (a) of
Uniform Guidance? None reported

Identification of major program:

Assistance listing number: Name of Federal Program:
21.027 Coronavirus State and Local Fiscal
Recovery Funds - (COVID-19)

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

Auditee qualified as low risk auditee? No

Financial Statement Findings

2024-001, 2024-002

Federal Award Findings

None

CITY OF BROWNWOOD, TEXAS

SUMMARY SCHEDULE OF AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Finding 2024-001 - Material Weakness

Criteria

The Governmental Accounting Standards Board (GASB) establishes that revenues and expenses should be recognized in the same period in which they are incurred to ensure financial statements accurately reflect the financial position and performance of the City. This principle provides a clear and fair presentation of financial results for decision-makers.

Condition

We identified instances where utility revenues were not accrued back to the correct fiscal/reporting period and Health Fund activity was not presented for the twelve-month fiscal period consistent with the overall financial statements.

Effect

Revenues were understated by \$1,287,166 in the proprietary funds and by \$18,888 in the Health Fund, accordingly.

Recommendation

Management should implement a system of controls to ensure that the financial information reported for a certain fiscal period is complete and accurate.

Management's Response

The City immediately corrected the issue on the general ledger by posting revenue accruals at year-end. The City will also incorporate a review of these revenue accounts at year-end, as part of the audit preparation process.

Finding 2024-002 - Material Weakness

Criteria

Generally accepted accounting principles require that compensated absences liabilities should not be reported in governmental fund financial statements unless they are due and payable.

Condition

The City reported the current portion of the compensated absences liability in the governmental fund financial statements.

Effect

Liabilities were overstated in the governmental fund financial statements by \$1,420,769.

Recommendation

Management should review financial statements to verify that liabilities are accounted for using the appropriate measurement focus and basis of accounting, based on the reporting fund.

Management's Response

The City agrees with the finding. Upon review, management had misinterpreted reporting requirements and will review these on an ongoing basis to ensure accurate financial reporting.

CITY OF BROWNWOOD, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

None.

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