



**FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT  
JUNE 30, 2020**

**CITY OF BROWNSBORO, TEXAS  
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FOR THE YEAR ENDED JUNE 30, 2020**

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DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brownsboro, Texas as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brownsboro, Texas, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows and respective budgetary comparison for the General Fund

thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, on pages 3 through 8, the budgetary comparison information, on pages 41 through 42, and the Texas Municipal Retirement System schedules, on pages 38 through 40, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, on our consideration of the City of Brownsboro, Texas’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Brownsboro, Texas’ internal control over financial reporting and compliance.



David K. Godwin, CPA, PLLC

Tyler, Texas

December 22, 2022

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## Management's Discussion and Analysis

As management of the City of Brownsboro, 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 June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by \$2,717,200 (net position). Of this amount \$1,257,096 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$1,324,361. Of this amount \$781,233 (60%) is available for spending at the government's discretion.
- The total net position of \$2,717,200 is made up of \$1,338,138 in capital assets net of related debt and \$1,379,062 in other net position.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial statements are prepared using Governmental Accounting Statement No. 34 *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*.

The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Brownsboro'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 liabilities, with the difference between the two 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. However, other nonfinancial factors must also be considered.

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 as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City of Brownsboro that are principally supported by taxes and other governmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety and streets and drainage. The business-type activities include water and sewer.

The fund financial statements are presented using fund designations. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, used 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.

See accompanying notes and accountants' compilation report

*Governmental funds.* These 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 funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City'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 City's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four 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, economic development fund, debt service fund, and capital projects fund which are considered to be major funds.

*Proprietary funds.* The City of Brownsboro maintains only one type of proprietary fund – an enterprise fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City used enterprise funds to account for its water and sewer 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.

### **Adoption of GASB Statement No. 75**

During the previous year, the city adopted the provisions of Governmental Accounting Standards Board Statement, GASB 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension." This statement addresses the accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. The City currently has one OPEB plan: Supplemental Death Benefits Plan under the Texas Municipal Retirement System (newly reported under GASB No.75.)

Additional information on OPEB can be found in the footnotes to this financial report. In addition to the footnotes, the City reported OPEB as well as Pension schedules as Required Supplemental Information.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As of the end of the fiscal year, June 30, 2020, the City's assets exceeded liabilities by \$2,717,200. This represents a .91% increase from the total net position balance of \$2,692,705 at June 30, 2019.

The largest portion of the City's net position of \$1,338,138 reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), less any related debt used to acquire these assets that is still outstanding. This amount is \$340,869 less than the amount at June 30, 2019. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of 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.

See accompanying notes and accountants' compilation report

## City of Brownsboro's Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,430,891	\$ 2,323,712	\$ 413,788	\$ 409,157	\$ 1,844,679	\$ 2,732,869
Capital assets	2,625,839	1,689,499	1,030,079	1,080,567	3,655,918	2,770,066
Total assets	<u>4,056,730</u>	<u>4,013,211</u>	<u>1,443,867</u>	<u>1,489,724</u>	<u>5,500,597</u>	<u>5,502,935</u>
Deferred outflows of resources	39,150	33,328	14,500	11,961	53,650	45,289
Current liabilities	242,545	164,570	86,665	93,309	329,210	257,879
Noncurrent liabilities	2,175,671	2,224,672	253,280	294,269	2,428,951	2,518,941
Total liabilities	<u>2,418,216</u>	<u>2,389,242</u>	<u>339,945</u>	<u>387,578</u>	<u>2,758,161</u>	<u>2,776,820</u>
Deferred inflows of resources	53,803	58,820	25,083	19,879	78,886	78,699
Net investment in capital assets	518,059	848,440	820,079	830,567	1,338,138	1,679,007
Restricted	121,966	61,621	-	-	121,966	61,621
Unrestricted	983,836	688,416	273,260	263,661	1,257,096	952,077
Total net position	<u>\$ 1,623,861</u>	<u>\$ 1,598,477</u>	<u>\$ 1,093,339</u>	<u>\$ 1,094,228</u>	<u>\$ 2,717,200</u>	<u>\$ 2,692,705</u>

*Governmental activities.* Governmental activities increased the net position by \$25,384. Net position invested in capital assets, net of related debt decreased by \$330,381 during the year. Restricted net position increased by \$60,345 and unrestricted net position increased by \$295,420. The overall increase was mostly due to increases in revenues from the prior year and a reduction in spending.

*Business-type activities.* The City had a \$889 decrease in net position for its business-type activities during the year. This overall increase is primarily due to an increase in operating costs for the City's water & sewer operations.

### City of Brownsboro's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Charges for services	\$ 526,966	\$ 483,744	\$ 392,093	\$ 312,166	\$ 919,059	\$ 795,910
Capital grants and contributions	275,000	-	-	-	275,000	-
Sale of capital assets	-	-	-	-	-	-
<b>General Revenue</b>						
Property taxes	299,069	381,029	-	-	299,069	381,029
Franchise taxes	51,046	44,043	-	-	51,046	44,043
Sales and use taxes	279,325	235,795	-	-	279,325	235,795
Interest income	3,425	1,423	209	228	3,634	1,651
<b>Total revenue</b>	<b>1,434,831</b>	<b>1,146,034</b>	<b>392,302</b>	<b>312,394</b>	<b>1,827,133</b>	<b>1,458,428</b>
<b>Expenses:</b>						
General government	422,747	141,750	-	-	422,747	141,750
Public safety	498,046	489,295	-	-	498,046	489,295
Streets and drainage	370,109	129,665	-	-	370,109	129,665
Interest	71,225	68,996	6,420	10,559	77,645	79,555
Water and sewer operations	-	-	434,091	318,084	434,091	318,084
<b>Total expenses</b>	<b>1,362,127</b>	<b>829,706</b>	<b>440,511</b>	<b>328,643</b>	<b>1,802,638</b>	<b>1,158,349</b>
Transfers	(47,320)	(53,005)	47,320	53,005	-	-
Change in net position	25,384	263,323	(889)	36,756	24,495	300,079
Net position beginning of year (as originally stated)	1,598,477	1,345,663	1,094,228	1,061,024	2,692,705	2,406,687
Prior period adjustment	-	(10,509)	-	(3,552)	-	(14,061)
Net position - beginning of year as restated	1,598,477	1,335,154	1,094,228	1,057,472	2,692,705	2,392,626
Net position end of year	\$ 1,623,861	\$ 1,598,477	\$ 1,093,339	\$ 1,094,228	\$ 2,717,200	\$ 2,692,705

### Financial Analysis of the Government's Funds

As noted earlier, the City of Brownsboro 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, unreserved fund balances may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported an ending fund balance of \$1,623,861 of which \$983,836 is unassigned and available for spending at the City's discretion. The remainder has been either committed for future vehicle replacement or restricted 1) to pay debt service 2) to pay for future construction or 3) as prepaid expenses or police operations.

*Proprietary funds.* The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the proprietary fund amounted to \$273,260, which is \$9,599 higher than the prior year.

See accompanying notes and accountants' compilation report



## General Fund Budgetary Highlights

Over the year, the City did not have any budget amendments for the General Fund. Revenues were \$388,202 over budget, and expenditures were over budget by \$233,461. After considering operating transfers, the City had a favorable variance of \$261,552 when comparing excess revenues over expenditures for the year which reflected effective management and a conscientious effort to maximize resources.

## Capital Assets and Debt Administration

*Capital Assets.* The City of Brownsboro's investment in capital assets for the governmental and business-type activities as of June 30, 2020, amounted to \$3,655,918 net of accumulated depreciation. This investment in capital assets includes land, buildings, machinery and equipment, water and sewer systems, and infrastructure. The total increase in the City's investment in capital assets for the current year was \$885,852.

Additional information on the City's capital assets can be found in the footnotes to this financial report.

### City of Brownsboro's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 36,690	\$ 36,690	\$ 15,817	\$ 15,817	\$ 52,507	\$ 52,507
Construction						
in progress	42,267	389,609	-	-	42,267	389,609
Buildings and improvements	102,564	108,082	-	-	102,564	108,082
Infrastructure	2,256,427	1,009,776	-	-	2,256,427	1,009,776
Machinery and equipment	187,891	145,342	23,692	5,969	211,583	151,311
Water and sewer system	-	-	990,570	1,058,781	990,570	1,058,781
<b>Total</b>	<b>\$ 2,625,839</b>	<b>\$ 1,689,499</b>	<b>\$ 1,030,079</b>	<b>\$ 1,080,567</b>	<b>\$ 3,655,918</b>	<b>\$ 2,770,066</b>

Additional information on the City's capital assets can be found in the footnotes to this financial report.

*Long-term debt.* During the current year, the City issued a new note payable totaling \$98,271. The proceeds of the note were used for the purchase of two new police vehicles. After principal payments of \$158,784 were made against debt during the year, the City had total debt and other long-term liabilities of \$2,613,586 at the end of the fiscal year.

### City of Brownsboro's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Certifications of obligation	\$ 1,887,000	\$ 1,964,000	\$ 210,000	\$ 250,000	\$ 2,097,000	\$ 2,214,000
Net Pension Liability	200,886	206,767	78,941	81,431	279,827	288,198
Net OPEB Liability	11,640	8,397	4,339	2,838	15,979	11,235
Notes payable	220,780	164,292	-	-	220,780	164,292
<b>Total</b>	<b>\$ 2,320,306</b>	<b>\$ 2,343,456</b>	<b>\$ 293,280</b>	<b>\$ 334,269</b>	<b>\$ 2,613,586</b>	<b>\$ 2,677,725</b>

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

See accompanying notes and accountants' compilation report

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

Economic trends in the area mirror those of Tyler, Texas that is located in a U. S Census metropolitan economic region within commuting distance of most of the City's citizens. In the region, unemployment continues to be stable at about 4 percent. Economic growth is primarily achieved through the addition of new jobs in the Tyler/Smith County region.

The City strives to keep expenditures to a minimum. With controlled spending and use of reserves, the City should be able to absorb any unexpected inflationary price change such as fuel and power costs.

All of these factors were considered in preparing the City's budget for the 2021 fiscal year.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Brownsboro's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: City of Brownsboro, P. O. Box 303, Brownsboro, TX 75756 or call 903-852-2401.

**BASIC FINANCIAL STATEMENTS**

**CITY OF BROWNSBORO, TEXAS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 892,925	\$ 348,366	\$ 1,241,291
Investments	168,199	-	168,199
Receivables (net of allowance for doubtful accounts)	97,399	585	97,984
Internal balances	4,856	(4,856)	-
Prepaid items	675	280	955
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	266,837	69,413	336,250
Capital Assets (net of accumulated depreciation):			
Land	36,690	15,817	52,507
Buildings and improvements	102,566	-	102,566
Machinery and equipment	187,890	23,692	211,582
Water system	-	897,027	897,027
Sewer system	-	93,543	93,543
Infrastructure	2,256,426	-	2,256,426
Construction in Progress	42,267	-	42,267
Total Assets	<u>4,056,730</u>	<u>1,443,867</u>	<u>5,500,597</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on TMRS pension	37,242	13,618	50,860
Deferred charge on OPEB	1,908	882	2,790
Total Deferred Outflows of Resources	<u>39,150</u>	<u>14,500</u>	<u>53,650</u>
<b>LIABILITIES</b>			
Accounts payable	97,910	2,010	99,920
Accrued Interest	-	4,590	4,590
Deposits and other refundable balances	-	47,390	47,390
Non-current liabilities:			
Due within one year	144,635	40,000	184,635
Due in more than one year	2,175,671	253,280	2,428,951
Total Liabilities	<u>2,418,216</u>	<u>347,270</u>	<u>2,765,486</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows on OPEB	3,602	1,228	4,830
Deferred inflows on TMRS pension	50,201	16,530	66,731
Total Deferred Inflows of Resources	<u>53,803</u>	<u>17,758</u>	<u>71,561</u>
<b>NET POSITION</b>			
Net investment in capital assets	518,059	820,079	1,338,138
Restricted for:			
Debt service	99,918	-	99,918
Police security and technology	22,048	-	22,048
Unrestricted	983,836	273,260	1,257,096
Total Net Position	<u>\$ 1,623,861</u>	<u>\$ 1,093,339</u>	<u>\$ 2,717,200</u>

See accompanying notes and accountants' compilation report.

**CITY OF BROWNSBORO, TEXAS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2020**

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Primary Government:</b>						
Governmental activities:						
General government	\$ 422,747	\$ 108,087	\$ -	\$ (314,660)	\$ -	\$ (314,660)
Public safety	498,046	344,470	-	(153,576)	-	(153,576)
Streets and drainage	370,109	74,409	275,000	(20,700)	-	(20,700)
Interest	71,225	-	-	(71,225)	-	(71,225)
Total governmental activities	<u>1,362,127</u>	<u>526,966</u>	<u>275,000</u>	<u>(560,161)</u>	<u>-</u>	<u>(560,161)</u>
Business-type activities:						
Water and sewer	434,091	392,093	-	-	(41,998)	(41,998)
Interest	6,420	-	-	-	(6,420)	(6,420)
Total business-type activities	<u>440,511</u>	<u>392,093</u>	<u>-</u>	<u>-</u>	<u>(48,418)</u>	<u>(48,418)</u>
Total primary government	<u>\$ 1,802,638</u>	<u>\$ 919,059</u>	<u>\$ 275,000</u>	<u>(560,161)</u>	<u>(48,418)</u>	<u>(608,579)</u>
General revenues:						
Property taxes				299,069	-	299,069
Franchise taxes				51,046	-	51,046
Sales and use taxes				279,325	-	279,325
Interest income				3,425	209	3,634
Transfers				(47,320)	47,320	-
Total general revenues				<u>585,545</u>	<u>47,529</u>	<u>633,074</u>
Change in net position				<u>25,384</u>	<u>(889)</u>	<u>24,495</u>
Net position - beginning of year				<u>1,598,477</u>	<u>1,094,228</u>	<u>2,692,705</u>
Net position - end of year				<u>\$ 1,623,861</u>	<u>\$ 1,093,339</u>	<u>\$ 2,717,200</u>

See accompanying notes and accountants' compilation report.

CITY OF BROWNSBORO, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	General	Economic Development	Debt Service	Capital Projects	Grant	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 792,935	\$ 99,990	\$ -	\$ -	\$ -	\$ 892,925
Restricted cash	22,048	-	99,918	144,845	26	266,837
Investments	-	168,199	-	-	-	168,199
Receivables:						
Taxes receivable (net of allowance for estimated uncollectibles)	8,623	-	-	-	-	8,623
Fines	6,951	-	-	-	-	6,951
Sales taxes	52,863	-	-	-	-	52,863
Returned checks	322	-	-	-	-	322
Garbage services	26,428	-	-	-	-	26,428
Other	2,212	-	-	-	-	2,212
Due from other funds	4,856	-	-	-	-	4,856
Prepaid expenses	675	-	-	-	-	675
<b>Total Assets</b>	<b>\$ 917,913</b>	<b>\$ 268,189</b>	<b>\$ 99,918</b>	<b>\$ 144,845</b>	<b>\$ 26</b>	<b>\$ 1,430,891</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 45,589	\$ -	\$ -	52,081	\$ -	\$ 97,670
Accrued payables	237	-	-	-	-	237
<b>Total Liabilities</b>	<b>45,826</b>	<b>-</b>	<b>-</b>	<b>52,081</b>	<b>-</b>	<b>97,907</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	8,623	-	-	-	-	8,623
<b>Total Deferred Inflows of Resources</b>	<b>8,623</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,623</b>
Fund Balances:						
Nonspendable:						
Prepaid expenses	675	-	-	-	-	675
Restricted:						
Debt service	-	-	99,918	-	-	99,918
Capital improvements	-	268,189	-	92,764	26	360,979
Police security and technology	22,048	-	-	-	-	22,048
Committed:						
Vehicle replacement	149,493	-	-	-	-	149,493
Unassigned	691,248	-	-	-	-	691,248
<b>Total Fund Balances</b>	<b>863,464</b>	<b>268,189</b>	<b>99,918</b>	<b>92,764</b>	<b>26</b>	<b>1,324,361</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 917,913</b>	<b>\$ 268,189</b>	<b>\$ 99,918</b>	<b>\$ 144,845</b>	<b>\$ 26</b>	<b>\$ 1,430,891</b>

CITY OF BROWNSBORO, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Exhibit 1)

	Total Governmental Funds
	<u>                    </u>
Total fund balances governmental funds (Exhibit 3 page 1)	\$ 1,324,361
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	2,625,839
Deferred inflows represent the consumption of net position that are applicable to a future reporting period.	(53,803)
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.	39,150
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	8,620
Long term liabilities, including bonds and interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	<u>(2,320,306)</u>
Net Position of governmental activities	<u><u>\$ 1,623,861</u></u>

**CITY OF BROWNSBORO, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2020**

	General	Economic Development	Debt Service	Capital Projects	Grant	Total Governmental Funds
<b>Revenues:</b>						
Fines and forfeitures	\$ 344,470	\$ -	\$ -	\$ -	\$ -	\$ 344,470
Interest	1,968	1,173	284	-	-	3,425
Miscellaneous	106,012	-	-	1,050	-	107,062
Services	74,409	-	-	-	-	74,409
Permits and fees	1,025	-	-	-	-	1,025
Grant income	-	-	-	-	275,000	275,000
Property taxes	126,161	-	182,626	-	-	308,787
Sales tax	211,634	67,691	-	-	-	279,325
Franchise taxes	51,046	-	-	-	-	51,046
<b>Total Revenues</b>	<b>916,725</b>	<b>68,864</b>	<b>182,910</b>	<b>1,050</b>	<b>275,000</b>	<b>1,444,549</b>
<b>Expenditures:</b>						
General government	119,035	3,900	-	-	295,956	418,891
Public safety	460,089	-	-	-	-	460,089
Streets and drainage	88,929	-	-	222,209	-	311,138
Debt service - principal	86,551	32,233	-	-	-	118,784
Interest	66,113	5,112	-	-	-	71,225
Capital outlay	98,271	-	-	952,329	-	1,050,600
<b>Total Expenditures</b>	<b>918,988</b>	<b>41,245</b>	<b>-</b>	<b>1,174,538</b>	<b>295,956</b>	<b>2,430,727</b>
Revenues Over (Under) Expenditures	(2,263)	27,619	182,910	(1,173,488)	(20,956)	(986,178)
<b>Other Financing Sources (Uses)</b>						
Transfers in (out)	165,456	-	(212,776)	(20,982)	20,982	(47,320)
Loan proceeds	98,271	-	-	-	-	98,271
<b>Total Other Financing Sources (Uses)</b>	<b>263,727</b>	<b>-</b>	<b>(212,776)</b>	<b>(20,982)</b>	<b>20,982</b>	<b>50,951</b>
Net change in fund balances	261,464	27,619	(29,866)	(1,194,470)	26	(935,227)
Fund Balance, July 1, 2019	602,000	240,570	129,784	1,287,234	-	2,259,588
Fund Balance, June 30, 2020	<u>\$ 863,464</u>	<u>\$ 268,189</u>	<u>\$ 99,918</u>	<u>\$ 92,764</u>	<u>\$ 26</u>	<u>\$ 1,324,361</u>

See accompanying notes and accountants' compilation report.



**CITY OF BROWNSBORO, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED JUNE 30, 2020**

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$	(935,227)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		936,340
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(9,718)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		20,512
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		<u>13,477</u>
Change in net position of governmental activities	\$	<u><u>25,384</u></u>

See accompanying notes and accountants' compilation report.

## EXHIBIT 6

**CITY OF BROWNSBORO, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	Operating Fund
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 348,366
Accounts receivable (net)	585
Prepaid expenses	280
	349,231
Total Current Assets	
Noncurrent Assets:	
Restricted Assets:	
Temporarily restricted	
Cash for customer deposits	47,390
Cash for capital improvements	22,023
	69,413
Total Restricted Assets	
Capital Assets:	
Land	15,817
Water system	1,949,477
Sewer system	879,696
Machinery & equipment	234,108
Less: accumulated depreciation	(2,049,019)
Total Capital Assets Net of Accumulated Depreciation	1,030,079
Total Assets	
	1,448,723
Deferred Outflows of Resources:	
Deferred outflows on TMRS pension	13,618
Deferred outflows on TMRS OPEB	882
	14,500
Total Deferred Outflows of Resources	
	14,500
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	2,010
Accrued interest	4,590
Customer deposits	47,390
Revenue bonds payable - current portion	40,000
Due to other funds	4,856
	98,846
Total Current Liabilities	
	98,846
Noncurrent Liabilities:	
Revenue bonds payable	170,000
OPEB liability	4,339
Pension liability	78,941
	253,280
Total Noncurrent Liabilities	
	253,280
Total Liabilities	
	352,126
DEFERRED INFLOWS OF RESOURCES	
Deferred intflows on TMRS OPEB	1,228
Deferred inflows on TMRS pension	16,530
	17,758
Total Deferred Inflows of Resources	
	17,758
Net Position:	
Net investment in capital assets	820,079
Unrestricted	273,260
	1,093,339
Total Net Position	
	\$ 1,093,339

See accompanying notes and accountants' compilation report.

**CITY OF BROWNSBORO, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Operating Fund</u>
<b>OPERATING REVENUES</b>	
Water sales and sewer service	\$ 317,249
Charges for services	3,746
Miscellaneous	<u>71,098</u>
Total Operating Revenues	<u>392,093</u>
<b>OPERATING EXPENSES</b>	
Water and sewer operations	354,557
Depreciation	<u>79,534</u>
Total Operating Expenses	<u>434,091</u>
Operating Income (Loss)	<u>(41,998)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Transfers in	47,320
Interest expense	(6,420)
Interest income	<u>209</u>
Total Non-Operating Revenues (Expenses)	<u>41,109</u>
Change in Net Position	<u>(889)</u>
Net Position, July 1, 2019	<u>1,094,228</u>
Net Position, June 30, 2020	<u><u>\$ 1,093,339</u></u>

See accompanying notes and accountants' compilation report.

CITY OF BROWNSBORO, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2020

	Operating Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	\$ 400,558
Cash paid to suppliers for goods and services	(181,463)
Cash paid to employees for services	(184,476)
	<hr/>
Net cash provided by operating activities	34,619
	<hr/>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	47,320
	<hr/>
Net cash provided by non-capital financing activities	47,320
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of fixed assets	(29,046)
Bond Principal paid	(40,000)
Bond Interest paid	(7,319)
	<hr/>
Net cash used in capital and related financing activities	(76,365)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned on investments	209
	<hr/>
Net cash provided by investing activities	209
	<hr/>
Net increase in cash	5,783
	<hr/>
Cash, beginning of period	411,996
	<hr/>
Cash, end of period	\$ 417,779
	<hr/> <hr/>
Reconciliation to Cash per Exhibit 6:	
Cash, current asset	\$ 348,366
Restricted cash, noncurrent asset	69,413
	<hr/>
Total Cash - June 30, 2020	\$ 417,779
	<hr/> <hr/>

See accompanying notes and accountants' compilation report.

CITY OF BROWNSBORO, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED JUNE 30, 2020

Increase (Decrease) in Cash and Cash Equivalents

	<u>Operating Fund</u>
<b>Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:</b>	
Operating income (loss)	\$ (41,998)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	79,534
(Increase) decrease in accounts receivable	1,141
(Increase) decrease in deferred outflows for pension	(1,657)
(Increase) decrease in deferred outflows for OPEB	(882)
Increase (decrease) in deferred inflows for pension	(2,160)
Increase (decrease) in deferred inflows for OPEB	39
Increase (decrease) in accounts payable	(5,734)
Increase (decrease) in customer deposits	7,325
Increase (decrease) in net pension liability	(2,490)
Increase (decrease) in net OPEB liability	<u>1,501</u>
Total adjustments	<u>76,617</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 34,619</u>

See accompanying notes and accountants' compilation report.

**CITY OF BROWNSBORO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1: — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. General Statement**

The City of Brownsboro, Texas (the "City") operates under a mayor/council form of government with the mayor and (5) council members elected at large. The City provides the following services: general government, public safety, streets and drainage, and water and sewer service.

The accounting policies of the City of Brownsboro, Texas conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

**B. The Reporting Entity**

The financial statements of the City of Brownsboro, Texas include all funds and other organizations for which the City is financially accountable. Financial accountability is determined on the basis of appointment of a voting majority of the respective governing board, imposition of will, financial benefit or burden and financial accountability as a result of fiscal dependency.

The Brownsboro Economic Development Corporation, Inc. was formed in 2004, and is governed by a nine-member board of directors, which includes the City's council members. For financial reporting purposes, the Brownsboro Economic Development Corporation, Inc. has been presented as a blended component unit of the City and is reported as a Capital Projects Fund, because its purpose is to account for construction activities funded by the revenues generated by the one-half cent sales tax. The Brownsboro Economic Development Corporation, Inc. does not issue separate financial statements.

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government.

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

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**CITY OF BROWNSBORO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2020**

**D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Economic Development Fund is used to account for the use of the one-half cent sales tax proceeds for capital improvement projects of the City.

The Debt Service Fund is used to account for the interest and sinking property taxes collected for the payment of the City's debt.

The Capital Projects Fund is used to account for various street improvements throughout the city streets of Brownsboro.

The government reports the following major proprietary funds:

The Water and Sewer Fund is used to account for sale of water and wastewater treatment by the City to businesses and residential customers.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. 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 enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**E. Assets, Liabilities, and Net Position or Equity**

1. Cash and cash equivalents – the City considers all cash in demand deposit accounts and petty cash accounts to be cash and cash equivalents.
2. Receivables and Payables

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

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

**CITY OF BROWNSBORO, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED JUNE 30, 2020**

**E. Assets, Liabilities, and Net Position or Equity - Continued**

All receivables are shown net of an allowance for uncollectible accounts.

The City provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account, as determined by experience.

All delinquent property taxes receivable are assets of the General Fund.

Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as deferred inflow of resources on October 1. The deferred inflow of resources from taxes is then recognized as revenue during the year as the taxes are actually received.

3. Prepaid Expenses

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

4. Due from Other Funds

Current portions of long-term interfund loans receivable (reported in “Due from” asset accounts) are considered “available spendable resources”.

5. Capital Assets – includes property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Machinery and equipment	3-15
Infrastructure	30

6. Construction in progress – Expenditures on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset account as the projects are completed.

7. Bond issue costs – The City reports bond issue costs under GASB Statement No. 65. Under GASB Statement No. 65, bond issue costs are expensed when incurred.

8. Long-term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

9. Deferred Outflows / Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows/inflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The City only has one item that qualifies for reporting in this category; this is the deferred charged on the



**CITY OF BROWNSBORO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2020**

**E. Assets, Liabilities, and Net Position or Equity - Continued**

TMRS pension. The TMRS pension expense and net pension liability are reported as of the date of the last actuarial study, which was December 31, 2019. The deferred outflows shows the difference in contributions to the TMRS retirement plan that occurred between December 31, 2019 and June 30, 2020.

10. Fund equity – Reserves of fund balance are used to indicate that a portion of fund equity is not available for expenditure or is legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

11. Fund Balance Classification – The City reports fund balances under GASB Statement No. 54, which defines how fund balances of governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes any budgeted reserve account.

Assigned – Amounts that are designated by City Council for a specific purpose but are not spendable until a budget ordinance is passed.

Unassigned – All amounts not included in other spendable classifications.

The details of the fund balances for the governmental funds are included in the Governmental Funds Balance Sheet.

12. Net position – Net position represents the difference between assets and liabilities, and is divided into three components.

Net investment in capital assets - This component consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets and adjusted for any deferred outflows or inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

Restricted – This component consist of those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations, reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component consist of the net amount of the assets, deferred outflows and inflows of resources, and liabilities not included in net investment in capital assets or restricted components of net position.

13. Tax Abatements – The City adopted GASB Statement No. 77, Tax Abatement Disclosures. The City has evaluated the total tax abatements issued for the year and has determined that the amount is not material to the financial statements.

14. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF BROWNSBORO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2020**

**E. Assets, Liabilities, and Net Position or Equity - Continued**

15. Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and 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 refund are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

16. Other Postemployment Benefits – For purposes of measuring the other postemployment benefit liability, deferred outflows and deferred inflows of resources related to OEB, and OPEB expense have been determined on the same basis as they are reported by TMRS. Benefit payments are treated as being equal to the City’s yearly contribution for retirees.

**NOTE 2 — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

One element of that reconciliation states that “Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$2,625,839 difference are as follows:

Capital assets, July 1, 2019, net of accumulated depreciation	\$	1,689,499
Capital assets additions, net of retirements		1,050,600
Depreciation of capital assets, net of retirements		(114,260)
		(114,260)
	\$	2,625,839

Another element states that “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.” The details of this \$(2,320,306) difference are as follows:

Long-term liabilities, July 1, 2019	\$	(2,343,456)
Debt incurred during the current year		(98,272)
Principal paid on debt in the current year		118,784
Increase in net OPEB liability		(3,243)
Decrease in net pension liability		5,881
		5,881
	\$	(2,320,306)

**B. Explanation of certain differences between the governmental fund statement of revenue, expenditures, and changes in fund balance and the government-wide statement of activities**

An element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated their estimated useful lives and reported as depreciation expense. The detail of this \$1,494,152 difference are as follows:

Capital outlay, asset additions	\$	1,608,412
Depreciation expense		(114,260)
		(114,260)
	\$	1,494,152

**CITY OF BROWNSBORO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2020**

**B. Explanation of certain differences between the governmental fund statement of revenue, expenditures, and changes in fund balance and the government-wide statement of activities – Continued**

Another element states “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$20,512 difference are as follows:

Principal payments on debt	\$	118,784
Debt incurred during the current year		<u>(98,272)</u>
	\$	<u>20,512</u>

**NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

1. The budget for the General Fund and Water & Sewer Fund is adopted essentially on the cash basis. The budgetary comparisons for these funds are on this non-GAAP budgetary basis.
2. Appropriations lapse at year end.
3. Encumbrance accounting is not used.

**NOTE 4 — DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Cash and investments as of June 30, 2020 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:		
Primary Government		
Cash and cash equivalents	\$	1,241,291
Restricted cash and cash equivalents		336,250
Investments		<u>168,199</u>
Total Cash and Investments	\$	<u>1,745,740</u>
Cash on hand	\$	300
Certificates of deposit		168,199
Savings and checking accounts		<u>1,577,241</u>
Total Cash and Investments	\$	<u>1,745,740</u>

- A. Custodial Credit Risk – Deposits –** At June 30, 2020, the City held several bank accounts. The City’s account balances, less outstanding checks and deposits totaled \$1,577,215, and the bank balances totaled \$1,477,225. Typically, all bank balances not covered by federal depository insurance, are covered by collateral held in the pledging financial institutions’ trust department in the City’s name. At June 30, 2020, the City was fully insured with the FDIC insurance coverage and collateral pledged. The Economic Development Corporation is not covered

**CITY OF BROWNSBORO, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED JUNE 30, 2020**

**B. Deposits and Investments – Continued**

by the City’s collateral agreement; however, the Economic Development Corporation did not have a balance that exceeded FDIC insurance coverage.

The amortized cost and estimated fair values of investments were as follows as of June 30, 2020:

	Cost	Fair Value
Economic Development Corporation:		
Certificates of Deposit	\$ 168,199	\$ 168,199

**Interest Risk Rate** – This is the risk that changes in market risk rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods of time are more likely to be subject to increased variability in their fair values due to changes in the market interest rates. The City’s investment policy allows for investments to be made in order to achieve the highest return of interest on excess funds after consideration is given to safety and liquidity provisions of the policy.

**Credit Risk** – This is the risk that an issuer or other counterparty of a debt type investment will not fulfill its obligation to the holder of the investment. At year-end, the City was not exposed to credit risk.

**Custodial Credit Risk** – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment of collateral securities that are in the possession of an outside party. As noted previously, the Economic Development Corporation is fully covered by FDIC insurance coverage.

**Foreign Currency Risk** – This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to credit risk.

FASB ASC 820, Fair Value Measurement and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are valuations for which one or more significant inputs are observable and may include situations where there is minimal, if any, market activities for the asset.

If the fair value is measured using inputs from different levels in the fair value hierarchy, the measurement should be categorized based on the lowest priority input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Certificates of deposit are valued at cost plus accumulated interest, which approximately fair value. It is valued as a level 1 measurement.

**CITY OF BROWNSBORO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2020**

**C. Receivables**

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water & Sewer Fund	Total
Receivables:			
Taxes	\$ 33,062	\$ -	\$ 33,062
Fines	151,828	-	151,828
Sales Tax	52,863	-	52,863
Accounts (services)	26,428	111,417	137,845
Other	2,535	-	2,535
Gross receivables	266,716	111,417	378,133
Less: Allowance for Uncollectibles	(169,317)	(110,832)	(280,149)
Net Receivables	\$ 97,399	\$ 585	\$ 97,984

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 36,690	\$ -	\$ -	\$ 36,690
CIP	389,609	42,267	(389,609)	42,267
Total Capital Assets, Not Being Depreciated	426,299	42,267	(389,609)	78,957
Capital Assets, Being Depreciated:				
Building and Improvements	331,396	-	-	331,396
Infrastructure	1,099,339	1,299,671	-	2,399,010
Machinery and Equipment	650,776	98,271	-	749,047
Total Capital Assets, Being Depreciated	2,081,511	1,397,942	-	3,479,453
Less Accumulated Depreciation For:				
Building and Improvements	(223,314)	(5,518)	-	(228,832)
Infrastructure	(89,563)	(53,020)	-	(142,583)
Machinery and Equipment	(505,434)	(55,722)	-	(561,156)
Total Accumulated Depreciation	(818,311)	(114,260)	-	(932,571)
Net Total Assets Being Depreciated	1,263,200	1,283,682	-	2,546,882
Governmental Activities Capital Assets, Net	\$ 1,689,499	\$ 1,325,949	\$ (389,609)	\$ 2,625,839

**CITY OF BROWNSBORO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2020**

**D. Capital Assets - Continued**

<u>PRIMARY GOVERNMENT</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 15,817	\$ -	\$ -	\$ 15,817
Total Capital Assets, Not Being Depreciated	15,817	-	-	15,817
Capital Assets, Being Depreciated:				
Water System	1,949,477	-	-	1,949,477
Sewer System	879,696	-	-	879,696
Machinery and Equipment	205,062	29,046	-	234,108
Total Capital Assets, Being Depreciated	3,034,235	29,046	-	3,063,281
Less Accumulated Depreciation For:				
Water System	(994,508)	(57,942)	-	(1,052,450)
Sewer System	(775,875)	(10,278)	-	(786,153)
Machinery and Equipment	(199,102)	(11,314)	-	(210,416)
Total Accumulated Depreciation	(1,969,485)	(79,534)	-	(2,049,019)
Net Total Assets Being Depreciated	1,064,750	(50,488)	-	1,014,262
Business-Type Activities Capital Assets, Net	<u>\$ 1,080,567</u>	<u>\$ (50,488)</u>	<u>\$ -</u>	<u>\$ 1,030,079</u>

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

Governmental Activities:	
General Government	\$ 17,333
Public Safety	37,956
Streets	<u>58,971</u>
Total depreciation expense, governmental activities	<u>\$ 114,260</u>
Business-Type Activities:	
Water and Sewer Operations	<u>\$ 79,534</u>

**E. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2020, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Fund	\$ 4,856

Interfund transfers are made in accordance with the City's adopted budget or through approvals to meet unexpected operating needs.

The composition of interfund transfers as of June 30, 2020, is as follows:

	<u>Transfers In</u>		
	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
<u>Transfers Out:</u>			
Debt Service Fund	\$ 165,456	\$ 47,320	\$ 212,776
Total transfers out/in	<u>\$ 165,456</u>	<u>\$ 47,320</u>	<u>\$ 212,776</u>

**CITY OF BROWNSBORO, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED JUNE 30, 2020**

**F. Long-term debt**

Outstanding debt at June 30, 2020 are comprised of the following issues:

Governmental Activities:

\$160,000 Note Payable: maturing in December 2023. Monthly payment of \$3,112 with interest at 3.65% \$ 122,508

\$98,272 Note Payable: maturing September 2022. Yearly payment of \$36,012 with interest of 4.89% 98,272

\$2,041,000 Series 2018 Certificate of Obligation; maturing annually in varying amounts through 2038. Interest at 3.26% to 3.54% 1,887,000

Total Governmental Debt \$ 2,107,780

Business-Type Activities:

\$700,000 Series 2004 Certificates of Obligation; maturing annually in varying amounts through 2025. Interest at .30% to 3.35% \$ 210,000

Total Business-Type Debt \$ 210,000

The funding requirements to amortize all bonds outstanding as of June 30, 2020, including interest, are as follows:

	GOVERNMENTAL		BUSINESS-TYPE		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2021	\$ 80,000	\$ 63,291	\$ 40,000	\$ 6,120	\$ 189,411
2022	82,000	60,683	40,000	4,880	187,563
2023	85,000	58,010	40,000	3,610	186,620
2024	87,000	55,239	45,000	2,239	189,478
2025-2029	480,000	231,697	45,000	754	757,451
2030-2034	557,000	148,534	-	-	705,534
2035-2038	516,000	46,480	-	-	562,480
	<u>\$ 1,887,000</u>	<u>\$ 663,934</u>	<u>\$ 210,000</u>	<u>\$ 17,603</u>	<u>\$ 2,778,537</u>

The funding requirements to amortize all notes outstanding as of June 30, 2020, including interest, are as follows:

	GOVERNMENTAL	
	PRINCIPAL	INTEREST
2021	\$ 64,635	\$ 8,722
2022	67,402	5,955
2023	70,291	3,066
2024	18,452	197
	<u>\$ 220,780</u>	<u>\$ 17,940</u>

**CITY OF BROWNSBORO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2020**

**F. Long-term debt - Continued**

**Changes in long-term liabilities**

Long term liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance 7/1/2019	Additions	Reductions	Ending Balance 6/30/2020	Due Within One Year
Governmental Activities:					
Certificates of Obligation	\$ 1,964,000	\$ -	\$ (77,000)	\$ 1,887,000	\$ 80,000
Notes Payable	164,292	98,272	(41,784)	220,780	64,635
Net OPEB Liability	8,397	3,243	-	11,640	-
Net Pension Liability	206,767	-	(5,881)	200,886	-
	<u>2,343,456</u>	<u>101,515</u>	<u>(124,665)</u>	<u>2,320,306</u>	<u>144,635</u>
Governmental Activity					
Long-Term Liabilities	<u>\$ 2,343,456</u>	<u>\$ 101,515</u>	<u>\$ (124,665)</u>	<u>\$ 2,320,306</u>	<u>\$ 144,635</u>
Business-Type Activities:					
Certificates of Obligation	\$ 250,000	\$ -	\$ (40,000)	\$ 210,000	\$ 40,000
Net OPEB Liability	2,838	1,501	-	4,339	-
Net Pension Liability	81,431	-	(2,490)	78,941	-
	<u>334,269</u>	<u>1,501</u>	<u>(2,490)</u>	<u>293,280</u>	<u>40,000</u>
Business-Type Activity					
Long-Term Liabilities	<u>\$ 334,269</u>	<u>\$ 1,501</u>	<u>\$ (2,490)</u>	<u>\$ 293,280</u>	<u>\$ 40,000</u>

**NOTE 5 — GROUP CONCENTRATIONS OF CREDIT RISK**

The City provides water and sewer services and sanitation services to its residents. Residents use the City's water and sewer system and the City's sanitation service and are billed each month for usage in the prior month. The credit granted by the City for usage of these services is all with residents of the City. As of June 30, 2020, the City had \$28,638 in net receivables from its residents for the usage of these services.

**NOTE 6 — RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and insurance with the Texas Municipal League (TML), a public entity risk pool for municipalities. The City pays premiums in monthly installments for this coverage. As of June 30, 2020, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended June 30, 2020, there was no reduction in insurance coverage from the prior year. There were no settlements in the prior three fiscal years which exceeded insurance coverage carried by the City.

**NOTE 7 — COMMITMENTS**

The City has the following outstanding commitments at June 30, 2020:

The City has a contract with Allied Waste Services for the collection of garbage for the City's residents. The contract, effective August 1, 2003, was renewed in 2019 for 5 additional years through August 1, 2024.



**CITY OF BROWNSBORO, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED JUNE 30, 2020**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The City of Brownsboro participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.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 benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 100% of the member’s deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2019
Employee deposit rate	5.0%
Matching ratio (city to employee)	1 to 1
Year required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	0%

**Employees covered by benefit terms**

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

	<u>12/31/2019</u>
Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>9</u>
	<u><u>13</u></u>

**CITY OF BROWNSBORO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2020**

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, The contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Brownsboro were required to contribute 5% of their annual gross earnings beginning March 1, 2018. The contribution rate for the City of Brownsboro is 10.41% during calendar year 2019. The City's contributions to TMRS for the year ended June 30, 2020, were \$34,637, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions**

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. For smaller cities, more conservative methods and assumptions are used; lower termination rates are used for smaller cities, with maximum multipliers of 115% for employers with less than 100 members. There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 13% with a 3-year set forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB 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, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

**CITY OF BROWNSBORO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FISCAL YEAR ENDED JUNE 30, 2020**

**Actuarial assumptions (continued)**

expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%
Total	<u>100.00%</u>	

**Discount Rate**

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

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2018	\$ 393,285	\$ 105,087	\$ 288,198
Changes for the year:			
Service cost	22,431	-	22,431
Interest	26,435	-	26,435
Change of benefit terms	-	-	-
Difference between expected and actual experience	10,821	-	10,821
Changes of assumptions	88	-	88
Contributions - employer	-	35,357	(35,357)
Contributions - employee	-	16,445	(16,445)
Net investment income	-	16,439	(16,439)
Benefit payments, including refunds of employee contributions	(25,732)	(25,732)	-
Administrative expense	-	(92)	92
Other changes	-	(3)	3
Net changes	<u>34,043</u>	<u>42,414</u>	<u>(8,371)</u>
Balance at 12/31/2019	<u>\$ 427,328</u>	<u>\$ 147,501</u>	<u>\$ 279,827</u>

**CITY OF BROWNSBORO, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED JUNE 30, 2020**

**Sensitivity of the net pension liability to changes in the discount rate**

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

	1% Decrease in Discount Rate (5.75%)		Discount Rate (6.75%)		1% Increase in Discount Rate (7.75%)	
City's net pension liability	\$	326,100	\$	279,827	\$	241,424

**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](http://www.tmrs.com).

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

For the year ended June 30, 2020, the City recognized pension expense of \$13,291.

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual economic experience	\$	9,268	\$	61,124
Changes in actuarial assumptions		75		-
Difference between projected and actual investment earnings		3,115		7,476
Contributions subsequent to the measurement date		-		-
Total	\$	12,458	\$	68,600

The City had \$12,458 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2020	\$ (12,132)
2021	(12,132)
2022	(12,134)
2023	(13,171)
2024	(8,086)
Thereafter	1,513
	<u>\$ (56,142)</u>

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Plan Description**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting and ordinance before November 1 of any year to be effective the following January 1.

**CITY OF BROWNSBORO, TEXAS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FISCAL YEAR ENDED JUNE 30, 2020**

**Plan Description (continued)**

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

**Benefits Provided**

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an “other postemployment benefit” (OPEB) and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or claim against, the TMRS Pension Trust Fund.

**Employees Covered by Benefit Terms**

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

	12/31/2019
Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	1
Active employees	9
	10

**Contributions**

The member cities contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to prefund retiree life insurance during the employee’s entire careers.

As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

For calendar year 2019, the total SDB contributions rate for the City was 0.37%, while the retiree portion of the SDB contribution was 0.00%. The City’s contributions for the year ended June 30, 2020, were \$0 for the retiree portion, and \$955 for the total SDB rate. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer’s yearly contributions for retirees.

**Total OPEB Liability**

The City’s total OPEB liability was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

**CITY OF BROWNSBORO, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED JUNE 30, 2020**

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.50% to 11.5% including inflation
Discount rate *	2.75%
Retiree's share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

The actuarial cost method being used is known as the Entry Age Normal Method. This method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation through their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the City. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. The post-retirement mortality assumption for health annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

**CITY OF BROWNSBORO, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED JUNE 30, 2020**

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at 12/31/2018	\$ 11,235
Changes for the year:	
Service cost	1,875
Interest	452
Change of benefit terms	-
Difference between expected and actual experience	(893)
Changes of assumptions or other inputs	3,310
Benefit payments	-
Net changes	4,744
Balance at 12/31/2019	\$ 15,979

**H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	\$ 19,157	\$ 15,979	\$ 13,420

**I. OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the City recognized OPEB expense of \$22,968.

Components of OPEB Expense	
Service cost	\$ 1,875
Interest on total OPEB liability	452
Effect of plan changes	-
Employer administration costs	-
Recognition of deferred outflows/inflows of resources:	
Recognition of differences between expected and actual experience	(675)
Recognition of assumption changes or inputs	425
Total OPEB expense	\$ 2,077

**CITY OF BROWNSBORO, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FISCAL YEAR ENDED JUNE 30, 2020**

**J. Deferred Outflows of Resources and Deferred Inflows of Resources to Be Recognized in OPEB Expense in Future Years**

At of June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 4,249
Changes in actuarial assumptions	2,969	-
Contributions made subsequent to the measurement date	-	-
Total	\$ 2,969	\$ 4,249

The City had \$2,650 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	
2020	\$ (250)
2021	(250)
2022	(250)
2023	(250)
2024	(250)
Thereafter	(30)
	\$ (1,280)

**NOTE 10 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through July 24, 2022 the date on which the financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF BROWNSBORO, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FISCAL YEAR ENDED JUNE 30, 2020

	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
<b>Total pension liability</b>			
Service Cost	\$ 22,431	\$ 25,010	\$ 20,948
Interest (on the Total Pension Liability)	26,435	29,879	26,845
Changes in benefit terms	-	-	387,238
Difference between expected and actual results	10,821	(86,860)	-
Change of assumptions	88	-	-
Benefit payments, including refunds of employee contributions	(25,732)	(9,775)	-
Net Change in Total Pension Liability	34,043	(41,746)	435,031
Total Pension Liability - Beginning	393,285	435,031	-
Total Pension Liability - Ending (a)	<u>\$ 427,328</u>	<u>\$ 393,285</u>	<u>\$ 435,031</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 35,357	\$ 45,157	\$ 37,800
Contributions - Employee	16,445	18,256	15,291
Net Investment Income	16,439	(1,609)	-
Benefit payments, including refunds of employee contributions	(25,732)	(9,775)	-
Administrative Expense	(92)	(31)	-
Other	(3)	(2)	-
Net Change in Plan Fiduciary Net Position	42,414	51,996	53,091
Plan Fiduciary Net Position - Beginning	105,087	53,091	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 147,501</u>	<u>\$ 105,087</u>	<u>\$ 53,091</u>
Net Pension Liability - Ending (a)-(b)	279,827	288,198	381,940
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	34.52%	26.72%	12.20%
Covered Payroll	\$ 328,906	\$ 364,120	\$ 305,815
Net Pension Liability as a Percentage of Covered Payroll	85.08%	79.15%	124.89%

CITY OF BROWNSBORO, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
FISCAL YEAR ENDED JUNE 30, 2020

	2020	2019	2018	2017
Actuarially Determined Contribution	34,637	40,012	46,267	14,597
Contributions in relation to the actuarially determined contributions	34,637	40,012	46,267	14,597
Contribution deficiency (excess)	-	-	-	-
Covered payroll	327,350	341,389	374,323	118,099
Contributions as a percentage of covered payroll	10.58%	11.72%	12.36%	12.36%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rate**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information**

There were no benefit changes during the year other than TMRS plan participation

**CITY OF BROWNSBORO, TEXAS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
FISCAL YEAR ENDED JUNE 30, 2020**

	Measurement Year 2019	Measurement Year 2018
<b>Total OPEB liability</b>		
Service Cost	\$ 1,875	\$ 2,045
Interest	452	499
Changes in benefit terms	-	-
Difference between expected and actual experience	(893)	(4,599)
Change of assumptions and other inputs	3,310	(771)
Benefit payments	-	-
Net Change in Total OPEB Liability	4,744	(2,826)
Total OPEB Liability - Beginning	11,235	14,061
Total OPEB Liability - Ending (a)	<u>\$ 15,979</u>	<u>\$ 11,235</u>
Covered Payroll	\$ 328,906	\$ 365,113
Net OPEB Liability as a Percentage of Covered Payroll	4.86%	3.08%

**NOTES TO SCHEDULE**

<b>Valuation Date:</b>	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.
<b>Methods and Assumptions Used to Determine Rates:</b>	
Actuarial Cost Method	Entry Age Normal
Supplemental Death Benefit	Contribution rate is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees.
Retiree's share of benefit-related costs	\$0.00
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Discount Rate	2.75%
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68 and 75.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Morality tables. The rate are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for young members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
<b>Other Information:</b>	The Supplemental Death Benefits Fund is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**CITY OF BROWNSBORO, TEXAS**  
**SCHEDULE OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) -**  
**GENERAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Fines and Forfeitures	\$ 160,177	\$ 160,177	\$ 355,313	\$ 195,136
Interest	-	-	1,968	1,968
Miscellaneous	1,000	1,000	106,010	105,010
Services	62,000	62,000	68,249	6,249
Permits and Fees	4,000	4,000	1,025	(2,975)
Property Taxes	120,000	120,000	126,161	6,161
Sales Tax	185,000	185,000	254,607	69,607
Franchise Taxes	44,000	44,000	51,046	7,046
<b>Total Revenues</b>	<b>576,177</b>	<b>576,177</b>	<b>964,379</b>	<b>388,202</b>
<b>Expenditures:</b>				
General Government	120,618	120,618	171,674	(51,056)
Public Safety	369,697	369,697	459,321	(89,624)
Streets and Drainage	89,000	89,000	84,624	4,376
Debt Service - Principal	41,784	41,784	86,551	(44,767)
Interest	13,723	13,723	66,113	(52,390)
<b>Total Expenditures</b>	<b>634,822</b>	<b>634,822</b>	<b>868,283</b>	<b>(233,461)</b>
Revenues Over (Under) Expenditures	(58,645)	(58,645)	96,096	154,741
<b>Other Financing Sources (Uses)</b>				
Transfers in	58,645	58,645	194,502	135,857
Transfers out	-	-	(29,046)	(29,046)
<b>Total Other Financing Sources (Uses)</b>	<b>58,645</b>	<b>58,645</b>	<b>165,456</b>	<b>106,811</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures - Budget Basis	-	-	261,552	261,552
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	(88)	(88)
Excess (Deficiency) of Revenues Over (Under) Expenditures - GAAP Basis	-	-	261,464	261,464
Fund Balance, beginning of year	-	-	602,000	602,000
Fund Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 863,464</u>	<u>\$ 863,464</u>

**CITY OF BROWNSBORO, TEXAS**  
**SCHEDULE OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS) -**  
**GENERAL FUND**  
**FISCAL YEAR ENDED JUNE 30, 2020**

Note A - Explanation of Differences Between Budget Basis Presentation and GAAP

Basis Presentation:

Sources/Inflows of Resources:

Differences - Budget to GAAP

Decrease in sales tax receivable	\$ 8,558
Decrease in Fines and Forfeitures receivable	(10,841)
Increase in garbage fees receivable	6,160
Loan proceeds	98,271

Uses/Outflows of Resources:

Differences - Budget to GAAP

Capital expenditures acquired through financing agreement year but paid for in the following year	(98,271) (3,965)
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Net Change in Budget Basis Presentation and GAAP Basis Presentation	<u>\$ (88)</u>
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**CITY OF BROWNSBORO, TEXAS**  
**DETAILED SCHEDULE OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)**  
**WATER & SEWER OPERATING FUND**  
**FISCAL YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual	Variance with final budget Positive (Negative)
<b>Operating Revenues</b>				
Water Sales and Sewer Service	\$ 358,535	\$ 358,535	\$ 318,389	\$ (40,146)
Charges for Services	-	-	3,746	3,746
Property Taxes	47,320	47,320	47,320	-
Interest Income	-	-	210	210
Miscellaneous	-	-	71,098	71,098
Total Operating Revenues	<u>405,855</u>	<u>405,855</u>	<u>440,763</u>	<u>34,908</u>
<b>Operating Expenditures</b>				
Salaries and labor	136,810	136,810	172,259	(35,449)
Payroll Taxes	7,959	7,959	8,666	(707)
Employee Retirement	16,115	16,115	15,496	619
Utilities	27,000	27,000	21,863	5,137
Telephone	2,000	2,000	1,976	24
Legal and Audit	10,500	10,500	9,925	575
Office Supplies	4,500	4,500	3,670	830
Insurance and Bonds	26,242	26,242	27,906	(1,664)
Dues and Education	10,000	10,000	6,865	3,135
Auto and Truck Expense	7,500	7,500	8,138	(638)
Repairs	-	-	17,526	(17,526)
Supplies and Chemicals	43,500	43,500	55,613	(12,113)
Miscellaneous	34,809	34,809	12,628	22,181
Debt Service	47,320	47,320	47,320	-
Transfers to other funds	23,600	23,600	-	23,600
New Equipment	8,000	8,000	32,454	(24,454)
Total Expenditures	<u>405,855</u>	<u>405,855</u>	<u>442,305</u>	<u>(36,450)</u>
Net Income (Loss) - Budget Basis	-	-	(1,542)	(1,542)
<b>Financial Statement Adjustments:</b>				
Decrease in Accrued Water Sales & Sewer Service	-	-	(1,141)	(1,141)
Decrease in accrued expenses	-	-	5,733	5,733
Reclassify capital expenditures	-	-	29,046	29,046
Decrease in accrued interest	-	-	900	900
Change in employee retirement (GASB 68)	-	-	6,307	6,307
Change in employee benefits (GASB 75)	-	-	(658)	(658)
Depreciation	-	-	(79,534)	(79,534)
Principal paid on bonds	-	-	40,000	40,000
Total Financial Statement Adjustments	<u>-</u>	<u>-</u>	<u>653</u>	<u>653</u>
Change in net position	<u>-</u>	<u>-</u>	<u>(889)</u>	<u>(889)</u>
Net position, July 1, 2019, as restated	<u>-</u>	<u>-</u>	<u>1,094,228</u>	<u>1,094,228</u>
Net position, June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,093,339</u>	<u>\$ 1,093,339</u>



**OTHER SCHEDULES**

**CITY OF BROWNSBORO, TEXAS  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY SOURCE  
 FISCAL YEAR ENDED JUNE 30, 2020**

	TOTAL
<b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>	
Land	\$ 36,690
Buildings and improvements	331,396
Infrastructure	2,399,010
Machinery and equipment	749,047
Construction in Progress	42,267
Total governmental funds capital assets	\$ 3,558,410
 <b>INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:</b>	
General funds	\$ 3,558,410
Total governmental funds capital assets	\$ 3,558,410

**CITY OF BROWNSBORO, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**FISCAL YEAR ENDED JUNE 30, 2020**

<u>FUNCTION AND ACTIVITY</u>	<u>LAND</u>	<u>BUILDINGS AND IMPROVEMENTS</u>	<u>INFRASTRUCTURE</u>	<u>MACHINERY AND EQUIPMENT</u>	<u>CONSTRUCTION IN PROGRESS</u>	<u>TOTAL</u>
General government:	\$ 36,690	\$ 331,396	\$ 1,099,339	\$ 650,776	\$ -	\$ 2,118,201
Street	-	-	1,299,671	-	42,267	1,341,938
Public safety:						
Police	-	-	-	98,271	-	98,271
Municipal Court	-	-	-	-	-	-
Total public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,271</u>	<u>-</u>	<u>98,271</u>
Total general capital assets	<u>\$ 36,690</u>	<u>\$ 331,396</u>	<u>\$ 2,399,010</u>	<u>\$ 749,047</u>	<u>\$ 42,267</u>	<u>\$ 3,558,410</u>

**CITY OF BROWNSBORO, TEXAS**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**FISCAL YEAR ENDED JUNE 30, 2020**

<u>FUNCTION AND ACTIVITY</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS JUNE 30, 2019</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS JUNE 30, 2020</u>
General government:	\$ 642,051	\$ -	\$ -	\$ 642,051
Construction in Progress	389,609	42,267	(389,609)	42,267
Total General government	<u>1,031,660</u>	<u>42,267</u>	<u>(389,609)</u>	<u>684,318</u>
Street	1,184,775	910,062	389,609	2,484,446
Public safety:				
Police	274,053	98,271	-	372,324
Municipal Court	17,322	-	-	17,322
Total public safety	<u>291,375</u>	<u>98,271</u>	<u>-</u>	<u>389,646</u>
Total general capital assets	<u>\$ 2,507,810</u>	<u>\$ 1,050,600</u>	<u>\$ -</u>	<u>\$ 3,558,410</u>

# Compliance and Internal Control





DAVID K. GODWIN

CERTIFIED PUBLIC ACCOUNTANT, PLLC

**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 Brownsboro, 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, each major fund, and the aggregate remaining fund information of the City of Brownsboro, Texas (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2022.

**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) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

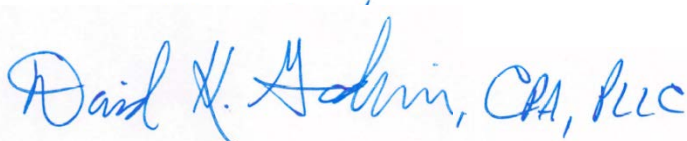
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

### **City of Brownsboro, Texas's Response to Prior Findings**

The City's response to the prior findings is described in the accompanying summary schedule of prior findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



David K. Godwin, CPA, PLLC

Tyler, Texas

December 22, 2022

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**CITY OF BROWNSBORO, TEXAS  
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2020**

**2018-001 Significant Deficiency**

**Recommendation 2018-001.01**

Effective and efficient operations rely on timely financial reporting for internal and external decision making. Internal controls should be established to ensure compliance with Chapter 103.003 of the Texas Local Government Code.

**Corrective Action Plan**

To ensure longevity and integrity of the City's financial infrastructure the City is converting manual financial record keeping to an electronic accounting system to assist with timely preparation.

**Remediation Status**

IN PROGRESS

**Recommendation 2018-001.02**

In order to maintain integrity of the City's financial infrastructure, a succession plan should be developed to ensure essential processes and procedures for public services are performed by the City in the event key personnel become unavailable to perform regular duties.

General effective succession planning activities often include cross training key personnel and/or identifying essential responsibilities and establishing formal procedures.

**Corrective Action Plan**

To ensure public services functions are performed, the City will work to cross train appropriate personnel. In addition, the City will work with key personnel to develop formal procedures that outline their essential functions.

**Remediation Status**

IN PROGRESS