



**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2021**

**CITY OF BROWNSBORO, TEXAS
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FOR THE YEAR ENDED JUNE 30, 2021**

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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 Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on page 54, and the Texas Municipal Retirement System schedules on pages 55 through 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brownsboro, Texas's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023, on our consideration of the City of Brownsboro, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Brownsboro, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Brownsboro, Texas's internal control over financial reporting and compliance.



David K. Godwin, CPA, PLLC

Tyler, Texas

March 20, 2023

Management's Discussion and Analysis



Management's Discussion and Analysis For Year Ended June 30, 2021 (Unaudited)

The Management Discussion and Analysis of the City of Brownsboro's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2021. Please read in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Mayor and Council

Dusty Wise
Mayor

Charles Cox
City Council

Jason Gardner
City Council

Doug Shaffer
City Council

Glen Vest
City Council

Trayce West
City Council

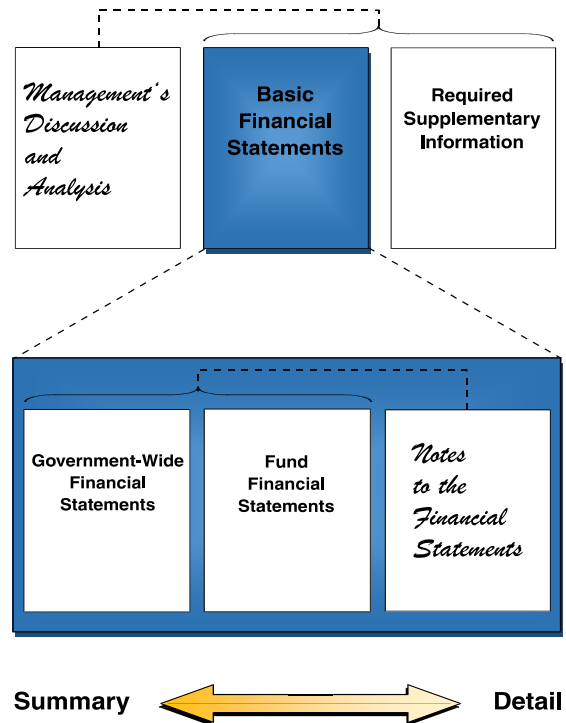
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$12,717,012 (Net Position). Of this amount, \$1,146,971 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position decreased by \$188.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,254,434. Of this amount, \$1,049,712 is unassigned and available for use within the City's fund designation and fiscal policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$746,267, or 74% of the total general fund expenditures.
- The City's outstanding long-term debt decreased by \$198,350.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City’s annual report consists of a series of financial statements, notes to those statements, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the City’s overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the City’s operations in more detail than the Government-Wide Statements.
 - The Governmental Funds Statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the City.

Figure A-1 Required Components of the City’s Annual Financial Report



The basic financial statements include notes that explain information contained within the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 (above) shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 (next page) summarizes the major features of the City’s financial statements, including the portion of the City’s government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**FIGURE A-2
MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

<i>Type of Statement</i>	Government-Wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.
<i>Required financial statements</i>	• Statement of net position	• Balance sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in fund net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The Government-Wide Statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-Wide Statements report the City's net position and how it has changed. Net position, the difference between the City's assets and liabilities, is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's tax base.

The Government-Wide Financial Statements of the City include the governmental activities. The City's basic activities include general government, municipal court, public safety, highways and streets, sanitation, and parks and recreation. Taxes, fines & forfeitures, and garbage service fees finance most of these activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices used by the City to track specific sources and uses of funding for specified activities.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two types of funds:

- Governmental funds—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the year-end balances that are available for spending. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps you determine the level of financial resources that can be spent in the near term to finance the City's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, we provide additional information at the bottom of the Governmental Fund Statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-Wide Statements, provide both long-term and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$2,717,012 as of June 30, 2021.

The largest portion of the City's net position, 51%, or \$1,388,953, reflects its investments in capital assets (e.g., land, building, equipment, vehicles, improvements and infrastructure), less any outstanding debt used in acquiring those assets. 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 liquidated to repay these liabilities.

CITY OF BROWNSBORO'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 1,321,752	\$ 1,430,891	\$ 446,741	\$ 413,788	\$ 1,768,493	\$ 1,844,679
Capital Assets	2,568,184	2,625,839	951,073	1,030,079	3,519,257	3,655,918
Total Assets	<u>3,889,936</u>	<u>4,056,730</u>	<u>1,397,814</u>	<u>1,443,867</u>	<u>5,287,750</u>	<u>5,500,597</u>
Total Deferred Outflows of Resources	<u>71,914</u>	<u>39,150</u>	<u>21,374</u>	<u>14,500</u>	<u>93,288</u>	<u>53,650</u>
Current Liabilities	194,334	242,545	105,007	86,665	299,341	329,210
Non-Current Liabilities	2,017,324	2,175,671	211,351	253,280	2,228,675	2,428,951
Total Liabilities	<u>2,211,658</u>	<u>2,418,216</u>	<u>316,358</u>	<u>339,945</u>	<u>2,528,016</u>	<u>2,758,161</u>
Total Deferred Inflows of Resources	<u>106,976</u>	<u>53,803</u>	<u>29,034</u>	<u>25,083</u>	<u>136,010</u>	<u>78,886</u>
Net Position:						
Invested in Capital Assets, Net of Related Debt	607,880	518,059	781,073	820,079	1,388,953	1,338,138
Restricted	147,650	121,966	33,438	-	181,088	121,966
Unrestricted	887,686	983,836	259,285	273,260	1,146,971	1,257,096
Total Net Position	<u>\$ 1,643,216</u>	<u>\$ 1,623,861</u>	<u>\$ 1,073,796</u>	<u>\$ 1,093,339</u>	<u>\$ 2,717,012</u>	<u>\$ 2,717,200</u>

A portion of net position, \$27,631, is restricted for municipal court security and technology enhancements, in addition to \$120,019 held for retirement of long-term debt and \$33,438 restricted for capital improvements. The remaining balance of unrestricted net position, \$1,146,971, may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2021, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities. In the prior fiscal year, the City also reported overall positive balances in all three categories of net position.

Analysis of the City's Operations - Overall the City had a decrease in net position of \$188.

Governmental Activities: Net position for the governmental activities increased by \$19,355. Net position invested in capital assets, net of related debt, increased by \$50,815 due to capital asset acquisitions being less than depreciation expenses and liquidation of long-term debt. The remaining change in net position is due to lower-than-expected expenditures.

Total revenues for the governmental activities decreased from the previous year by \$308,048, primarily due to lower-than-expected collections of fines and forfeitures during the current year, and a grant receipt during the prior year. General revenue decreased \$50,468 during 2021, primarily due to similar activity.

Business-type Activities: Net position from business-type activities decreased by \$19,543. This decrease was primarily due to operating activities of the City's water and sewer utilities.

The following table provides a summary of the City's operations for the year ended June 30, 2021.

CITY OF BROWNSBORO'S CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Operating Revenues:						
Charges for Services	\$ 269,386	\$ 526,966	\$ 395,885	\$ 392,093	\$ 665,271	\$ 919,059
Other	-	-	-	-	-	-
General Revenues:						
Taxes	802,366	629,440	-	-	802,366	629,440
Grant	-	275,000	-	-	-	275,000
Miscellaneous	51,606	-	-	-	51,606	-
Total Revenues	<u>1,123,358</u>	<u>1,431,406</u>	<u>395,885</u>	<u>392,093</u>	<u>1,519,243</u>	<u>1,823,499</u>
Expenses:						
General Government	1,061,702	1,290,902	-	-	1,061,702	1,290,902
Water and Sewer	-	-	453,957	434,091	453,957	434,091
Total Expenses	<u>1,061,702</u>	<u>1,290,902</u>	<u>453,957</u>	<u>434,091</u>	<u>1,515,659</u>	<u>1,724,993</u>
Increase (Decrease) in Total Revenues	<u>61,656</u>	<u>140,504</u>	<u>(58,072)</u>	<u>(41,998)</u>	<u>3,584</u>	<u>98,506</u>
NONOPERATING REVENUES (EXPENSES)						
Interest Income	1,190	3,425	228	209	1,418	3,634
Bond Interest Expense	-	(71,225)	(5,190)	(6,420)	(5,190)	(77,645)
Total Non-operating Expense	<u>1,190</u>	<u>(67,800)</u>	<u>(4,962)</u>	<u>(6,211)</u>	<u>(3,772)</u>	<u>(74,011)</u>
OTHER FINANCING SOURCES (USES)						
Operating Transfers from Other Funds	168,508	-	53,526	47,320	222,034	47,320
Operating Transfers to Other Funds	(211,999)	(47,320)	(10,035)	-	(222,034)	(47,320)
Total Other Financing Sources (Uses)	<u>(43,491)</u>	<u>(47,320)</u>	<u>43,491</u>	<u>47,320</u>	<u>-</u>	<u>-</u>
Change in Net Position	19,355	25,384	(19,543)	(889)	(188)	24,495
Net Position – Beginning	<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>
Net Position – Ending	<u>\$ 1,643,216</u>	<u>\$ 1,623,861</u>	<u>\$ 1,073,796</u>	<u>\$ 1,093,339</u>	<u>\$ 2,717,012</u>	<u>\$ 2,717,200</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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, unrestricted fund balance may serve as a useful measure of a government'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 combined ending fund balances of \$1,254,434; of this total amount, \$1,049,712, constitutes a surplus in unassigned fund balance.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

In the general fund, the City's original budget planned for a decrease in the fund balance on a budget basis. The City did not pass any budget amendments during the fiscal year ending 2021.

Actual revenues in all categories were higher than the final budgeted amounts by a total of \$235,920. Actual expenditures not including transfers were higher than final budgeted amounts by a total of \$235, 267.

After considering operating transfers, the City had an unfavorable variance of \$44,079 where excess expenditures were paid from the general funds unassigned fund balance.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$1,388,953 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, vehicles, and infrastructure. The total decrease in capital assets for the current fiscal year was \$136,661, or 3.88% and due to depreciation expenditures exceeding capital asset acquisitions.

Major capital asset additions during fiscal year 2021 included \$124,427 for road improvements, and \$15,115 for utility system improvements.

CAPITAL ASSETS AT YEAR-END AND ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 36,690	\$ 36,690	\$ 16,121	\$ 15,817	\$ 52,811	\$ 52,507
Building	331,396	331,396	-	-	331,396	331,396
Machinery and Equipment	749,047	749,047	234,108	234,108	983,155	983,155
Water and Sewer System	-	-	2,843,984	2,829,173	2,843,984	2,829,173
Infrastructure	2,523,438	2,399,010	-	-	2,523,438	2,399,010
Construction in Progress	-	42,267	-	-	-	42,267
Accumulated Depreciation	(1,072,387)	(932,571)	(2,143,140)	(2,049,019)	(3,215,527)	(2,981,590)
Total	\$ 2,568,184	\$ 2,625,839	\$ 951,073	\$ 1,030,079	\$ 3,519,257	\$ 3,655,918

Additional information on the City's capital assets can be found in Note 2 on page 37 in the notes of this report.

DEBT ADMINISTRATION

The City had total debt and other long-term liabilities of \$2,415,236 as of June 30, 2021. At the end of the current fiscal year, the City did not issue or incur additional debt.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Certificates of Obligation	\$ 1,807,000	\$ 1,887,000	\$ 170,000	\$ 210,000	\$ 1,977,000	\$ 2,097,000
Notes Payable	153,304	220,780	-	-	153,304	220,780
Net Pension Liability	189,501	200,886	76,486	78,941	265,987	279,827
Net OPEB Liability	14,080	11,640	4,865	4,339	18,945	15,979
Total	\$ 2,163,885	\$ 2,320,306	\$ 251,351	\$ 293,280	\$ 2,415,236	\$ 2,613,586

During the fiscal year, the City's long-term debt decreased by \$198,350, or 8.21%. The decrease was primarily due to the following:

- Annual debt principal payments made on Certificates of Obligation.
- Annual debt principal payments made on notes payable.

Additional information on the City's long term-debt can be found in note 2 on pages 38 and 39 in the notes of this report.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Brownsboro, Attn: City Secretary at P.O. Box 303, Brownsboro, Texas 75756.

Basic Financial Statements

Government-Wide Financial Statements

CITY OF BROWNSBORO, TEXAS
STATEMENT OF NET POSITION
JUNE 30, 2021

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 900,399	\$ 351,041	\$ 1,251,440
Investments	168,785	-	168,785
Receivables (net of allowances):	92,658	11,682	104,340
Prepaid items	675	280	955
Restricted cash	159,235	83,738	242,973
Capital assets:			
Land and other non-depreciated assets	36,690	16,121	52,811
Other capital assets - net of depreciation	2,531,494	934,952	3,466,446
Total Assets	<u>3,889,936</u>	<u>1,397,814</u>	<u>5,287,750</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	65,297	19,476	84,773
Deferred outflows from OPEB	6,617	1,898	8,515
Total Deferred Outflows of Resources	<u>71,914</u>	<u>21,374</u>	<u>93,288</u>
LIABILITIES			
Accounts payable and accrued liabilities	47,773	11,047	58,820
Accrued interest	-	3,660	3,660
Customer deposits	-	50,300	50,300
Long-term liabilities:			
Due within one year	146,561	40,000	186,561
Due in more than one year	2,017,324	211,351	2,228,675
Total Liabilities	<u>2,211,658</u>	<u>316,358</u>	<u>2,528,016</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	98,889	26,838	125,727
Deferred inflows from OPEB	8,087	2,196	10,283
Total Deferred Inflows of Resources	<u>106,976</u>	<u>29,034</u>	<u>136,010</u>
NET POSITION			
Investment in capital assets, net of related debt	607,880	781,073	1,388,953
Restricted for retirement of long-term debt	120,019	-	120,019
Restricted for court security and technology	27,631	-	27,631
Restricted for capital improvements	-	33,438	33,438
Unrestricted	887,686	259,285	1,146,971
Total Net Position	<u>\$ 1,643,216</u>	<u>\$ 1,073,796</u>	<u>\$ 2,717,012</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BROWNSBORO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary government:						
Governmental activities:						
General government	\$ 333,044	\$ 10,825	\$ -	\$ (322,219)	\$ -	\$ (322,219)
Municipal court	62,463	200,864	-	138,401	-	138,401
Public safety	434,614	-	-	(434,614)	-	(434,614)
Highways and streets	106,249	-	-	(106,249)	-	(106,249)
Sanitation	56,400	57,697	-	1,297	-	1,297
Parks and recreation	68,932	-	-	(68,932)	-	(68,932)
Total governmental activities	<u>1,061,702</u>	<u>269,386</u>	<u>-</u>	<u>(792,316)</u>	<u>-</u>	<u>(792,316)</u>
Business-type activities:						
Water and sewer	459,147	395,885	-	-	(63,262)	(63,262)
Total business-type activities	<u>459,147</u>	<u>395,885</u>	<u>-</u>	<u>-</u>	<u>(63,262)</u>	<u>(63,262)</u>
Total primary government	<u>\$ 1,520,849</u>	<u>\$ 665,271</u>	<u>\$ -</u>	<u>(792,316)</u>	<u>(63,262)</u>	<u>(855,578)</u>
General revenues:						
Sales taxes				404,349	-	404,349
Property taxes				354,259	-	354,259
Franchise taxes				43,758	-	43,758
Investment earnings				1,190	228	1,418
Miscellaneous local and intermediate revenue				51,606	-	51,606
Transfers				(43,491)	43,491	-
Total general revenues and transfers				<u>811,671</u>	<u>43,719</u>	<u>855,390</u>
Change in net position				19,355	(19,543)	(188)
Net position - beginning				<u>1,623,861</u>	<u>1,093,339</u>	<u>2,717,200</u>
Net position - ending				<u>\$ 1,643,216</u>	<u>\$ 1,073,796</u>	<u>\$ 2,717,012</u>

The notes to the financial statements are an integral part of this statement.

Fund Financial Statements

CITY OF BROWNSBORO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	MAJOR FUNDS			NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	ECONOMIC DEVELOPMENT	DEBT SERVICE		
ASSETS					
Cash	\$ 765,739	\$ 134,660	\$ -	\$ -	\$ 900,399
Investments	-	168,785	-	-	168,785
Receivables (net of allowances):					
Sales taxes	62,540	-	-	-	62,540
Property taxes	8,138	-	-	-	8,138
Fines and forfeitures	11,407	-	-	-	11,407
Sanitation fees	9,643	-	-	-	9,643
Other	930	-	-	-	930
Prepaid items	675	-	-	-	675
Restricted cash	27,631	-	120,019	11,585	159,235
Total assets	\$ 886,703	\$ 303,445	\$ 120,019	\$ 11,585	\$ 1,321,752
LIABILITIES					
Accounts payable	\$ 44,844	\$ -	\$ -	\$ -	\$ 44,844
Accrued liabilities	2,929	-	-	-	2,929
Total liabilities	47,773	-	-	-	47,773
DEFERRED INFLOWS (OF RESOURCES)					
Property taxes	8,138	-	-	-	8,138
Fines, forfeitures, and warrants	11,407	-	-	-	11,407
Total deferred inflows	19,545	-	-	-	19,545
FUND BALANCES					
Nonspendable:					
Prepaid expenses	675	-	-	-	675
Restricted:					
Retirement of long-term debt	-	-	120,019	-	120,019
Capital improvements	-	-	-	11,585	11,585
Court security and technology	27,631	-	-	-	27,631
Committed:					
Vehicle replacement	44,812	-	-	-	44,812
Unassigned	746,267	303,445	-	-	1,049,712
Total fund balances	819,385	303,445	120,019	11,585	1,254,434
Total liabilities, deferred inflows and fund balances	\$ 886,703	\$ 303,445	\$ 120,019	\$ 11,585	\$ 1,321,752

The notes to the financial statements are an integral part of this statement.

**CITY OF BROWNSBORO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances - governmental funds	\$	1,254,434
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.		2,568,184
Long-term pension liability, which is based on GASB 68 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:		
Net pension liability		(189,501)
Deferred outflows, related to pension		65,297
Deferred inflows, related to pension		(98,889)
Long-term OPEB liability, which is based on GASB 75 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:		
Net OPEB liability		(14,080)
Deferred outflows, related to OPEB		6,617
Deferred inflows, related to OPEB		(8,087)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported on the governmental funds balance sheet.		(1,960,304)
Outstanding fines, forfeitures and warrants are a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.		11,407
Delinquent property taxes receivable is a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.		8,138
Net position of governmental activities	\$	1,643,216

CITY OF BROWNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	MAJOR FUNDS			NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	ECONOMIC DEVELOPMENT	DEBT SERVICE		
REVENUES					
Taxes:					
Sales	\$ 325,415	\$ 78,934	\$ -	\$ -	\$ 404,349
Property	146,237	-	208,504	-	354,741
Franchise	43,758	-	-	-	43,758
Fines and forfeitures	189,457	-	-	-	189,457
Sanitation services	57,697	-	-	-	57,697
Licenses and permits	10,825	-	-	-	10,825
Interest income	102	820	268	-	1,190
Miscellaneous	51,606	-	-	-	51,606
Total revenues	<u>825,097</u>	<u>79,754</u>	<u>208,772</u>	<u>-</u>	<u>1,113,623</u>
EXPENDITURES					
General government	244,878	4,041	-	-	248,919
Municipal court	60,937	-	-	-	60,937
Public safety	388,230	-	-	-	388,230
Highways and streets	13,197	-	-	86,205	99,402
Sanitation	56,400	-	-	-	56,400
Parks and recreation	67,152	-	-	-	67,152
Debt service	178,562	40,457	-	-	219,019
Total expenditures	<u>1,009,356</u>	<u>44,498</u>	<u>-</u>	<u>86,205</u>	<u>1,140,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(184,259)</u>	<u>35,256</u>	<u>208,772</u>	<u>(86,205)</u>	<u>(26,436)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers from other funds	163,508	-	-	5,000	168,508
Operating transfers to other funds	(23,328)	-	(188,671)	-	(211,999)
Total other financing sources (uses)	<u>140,180</u>	<u>-</u>	<u>(188,671)</u>	<u>5,000</u>	<u>(43,491)</u>
Net change in fund balances	(44,079)	35,256	20,101	(81,205)	(69,927)
Fund balances - beginning of year	<u>863,464</u>	<u>268,189</u>	<u>99,918</u>	<u>92,790</u>	<u>1,324,361</u>
Fund balances - end of year	<u>\$ 819,385</u>	<u>\$ 303,445</u>	<u>\$ 120,019</u>	<u>\$ 11,585</u>	<u>\$ 1,254,434</u>

CITY OF BROWNSBORO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds	\$ (69,927)
The depreciation of capital assets used in governmental activities is not reported in the funds.	(139,816)
Net delinquent property tax collections provide current financial resources to the funds (but has no effect on net assets).	(482)
The portion of fines, forfeitures and warrants receivable which are measurable and available are recognized as revenue in the funds. The remainder of the receivables are deferred and, therefore, are not reported in the governmental activities.	11,407
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:	
GASB 68 Pension adjustments	(9,248)
GASB 75 Other post employment benefit adjustments	(2,216)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statement of activities.	82,161
Repayments of loan principal consumes the current financial resources of the governmental funds which report the effect as an expenditure, however, there is no expense on the statement of activities.	<u>147,476</u>
Change in net position of governmental activities	<u>\$ 19,355</u>

CITY OF BROWNSBORO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
ASSETS	<u>WATER & SEWER</u>
Current assets:	
Cash	\$ 351,041
Accounts receivable (net)	11,682
Prepaid expenses	280
	<u>363,003</u>
Total current assets	
Noncurrent assets:	
Restricted cash	83,738
Capital assets:	
Land	16,121
Water and sewer system	2,843,984
Machinery and equipment	234,108
Less: accumulated depreciation	<u>(2,143,140)</u>
Total noncurrent assets	<u>1,034,811</u>
Total assets	<u>1,397,814</u>
DEFERRED OUTFLOWS (OF RESOURCES)	
Deferred outflows from pensions	19,476
Deferred outflows from OPEB	1,898
Total deferred outflows	<u>21,374</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	11,047
Accrued interest	3,660
Customer deposits	50,300
Certificates of obligation	40,000
Total current liabilities	<u>105,007</u>
Non-current liabilities:	
Certificates of obligation	130,000
Pension liability	76,486
OPEB liability	4,865
Total liabilities	<u>316,358</u>
DEFERRED INFLOWS (OF RESOURCES)	
Deferred inflows from pensions	26,838
Deferred inflows from OPEB	2,196
Total deferred inflows	<u>29,034</u>
NET POSITION	
Investment in capital assets, net of related debt	781,073
Restricted for capital improvements	33,438
Unrestricted	259,285
Total net position	<u>\$ 1,073,796</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BROWNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND <u>WATER & SEWER</u>
OPERATING REVENUES	
Service charges	<u>\$ 395,885</u>
Total operating revenues	<u>395,885</u>
OPERATING EXPENSES	
Personnel services	131,133
Contract labor	70,053
Depreciation	94,121
Equipment and maintenance	14,768
Utilities	31,979
Chemicals and supplies	77,297
Professional fees	17,692
Training and education	5,067
Analysis and lab fees	9,775
Other	<u>2,072</u>
Total operating expenses	<u>453,957</u>
Operating loss	<u>(58,072)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	228
Bond interest expense	<u>(5,190)</u>
Total nonoperating expenses	<u>(4,962)</u>
Loss before operating transfers	<u>(63,034)</u>
TRANSFERS	
Transfers in	53,526
Transfers out	<u>(10,035)</u>
Total transfers	<u>43,491</u>
Change in net position	(19,543)
Net position - beginning of year	<u>1,093,339</u>
Net position - end of year	<u>\$ 1,073,796</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF BROWNSBORO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND <u>WATER & SEWER</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 395,885
Payments to suppliers for goods and services	(221,243)
Payments to employees for services	<u>(136,200)</u>
Net cash provided by operating activities	<u>38,442</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers-in from other funds	53,526
Transfers-out to other funds	(10,035)
Due from other funds	<u>(4,856)</u>
Net cash provided by non-capital financing activities	<u>38,635</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(15,115)
Principal repayments on debt	(40,000)
Interest on debt	<u>(5,190)</u>
Net cash used in capital and related financing activities	<u>(60,305)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>228</u>
Net cash provided by investing activities	<u>228</u>
Net increase in cash and cash equivalents	17,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>417,779</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 434,779</u>
Reconciliation of Operating Loss to Net Cash provided by Operating Activities	
Operating loss	\$ (58,072)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	94,121
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	(11,097)
Decrease (increase) in deferred outflows	(6,874)
Increase (decrease) in accounts payable	9,037
Increase (decrease) in accrued interest	(930)
Increase (decrease) in customer deposits	2,910
Increase (decrease) in pension liability	(2,455)
Increase (decrease) in OPEB liability	526
Increase (decrease) in deferred outflows	<u>11,276</u>
Total adjustments	<u>96,514</u>
Net cash provided by operating activities	<u>\$ 38,442</u>

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Brownsboro, Texas (City) was incorporated in 1952 and operates under the laws of the State of Texas as a Type A General Law Municipality. The City operates under a mayor/council form of government with the mayor and (5) council members elected at large. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2021.

Blended Component Unit

The financial statements of the City 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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. Governmental activities include programs supported primarily by taxes and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity.

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government-Wide and Fund Financial Statements - continued

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 or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Interfund activities between governmental funds appear as due to/due froms on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. All other expenses are non-operating.

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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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.

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of taxes. Tax revenue and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - continued

The City reports the following major governmental funds:

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

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.

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

The City reports the following major proprietary fund:

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Cash and Cash Equivalents

The City's cash and cash equivalents includes amounts on hand and in demand deposits.

Investments

State statutes and the City's investment policy authorize the City to invest in obligations of the U.S. Treasury, State of Texas obligations, certificates of deposit, commercial paper, corporate bonds, repurchase agreements, and mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "Due to/from Other Funds" (i.e., the current portion of the interfund loan) or "Advances to/from Other Funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "Due to/from Other Funds."

Property Taxes Receivable are shown net of an allowance for uncollectibles. The allowance is equal to zero (0) percent of delinquent property taxes receivable at June 30, 2021. The City's ad valorem taxes are levied on October 1 but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent June 30. The City's taxes become a lien on real property on the due date of January 1. This lien is effective until the taxes are paid.

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.

Long-Term Liabilities

In the government-wide 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.

In the fund financial statements, governmental fund types report the face amount of the debt issued as Other Financing Sources and debt payments as Expenditures.

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure (roads and bridges), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost where records are available or at an estimated fair market value at the date of acquisition where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide statements regardless of their amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, equipment and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Waterworks system	30
Wastewater system	30
Building and improvements	40
Infrastructure	30
Machinery and equipment	3 - 15
Vehicles	5

In the case of initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), public domain property including roads, bridges, curbs and gutters, streets and sidewalks and similar assets prior to June 30, 2003 have not been capitalized by the City. Additional capital assets, constructed or acquired each period subsequent to June 30, 2003, are capitalized and reported at historical cost.

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Fund Balance Classification

The City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the City Council, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest-level action to remove or change the constraint.

Assigned fund balance – amounts the City Council intends to use for a specific purpose. Intent can be expressed by the Mayor or the City Secretary, through which the City Council has delegated the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, the City Council designated the authority to the Mayor and the City Secretary (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance-continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, items are unavailable revenue, and are reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund considers all cash on hand and demand deposits to be cash equivalents.

Stewardship, Compliance, and Accountability

Budgetary Data

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. The City holds a public hearing on the proposed budget prior to its adoption. All appropriations lapse at fiscal year-end.

The budget is legally enacted and once approved, can only be amended by approval of a majority of the Council members. Amendments are presented to the Council at its regular meetings.

Expenditures in Excess of Budgeted Amounts

The following is a summary of expenditures in excess of appropriations for the General Fund:

<u>Department</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance</u>
General government	\$ 244,878	\$ 121,059	\$ (123,819)
Public safety	\$ 388,230	\$ 279,268	\$ (108,962)
Sanitation	\$ 56,400	\$ 43,000	\$ (13,400)
Parks and recreation	\$ 67,152	\$ 60,428	\$ (6,724)

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: DETAILED NOTES ON ALL FUNDS

Deposits

The City's balances were completely covered by federal deposit insurance or collateralized at June 30, 2021. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uncollateralized.

Deposits categorized by level of risk for cash and cash equivalents are as follows:

<u>Cash & Cash Equivalents</u>	Bank	<u>Category</u>			Carrying
	Balance	<u>1</u>	<u>2</u>	<u>3</u>	Amount
General fund	\$ 793,370	\$ 250,000	\$ 543,370	\$ -	\$ 793,370
Economic development fund	134,660	-	134,660	-	134,660
Debt service fund	120,019	-	120,019	-	120,019
Capital projects fund	11,559	-	11,559	-	11,559
Grant fund	26	-	26	-	26
Proprietary fund	434,779	-	434,779	-	434,779
Total	<u>\$ 1,494,413</u>	<u>\$ 250,000</u>	<u>\$ 1,244,413</u>	<u>\$ -</u>	<u>\$ 1,494,413</u>

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Investments

The City is required by The Public Funds Investment Act (“Act”) to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City did not adhere to the requirements of the Act.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The City’s certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC currently insures the first \$250,000 of the City’s deposits at each financial institution. Deposit balances over \$250,000 are insured by the collateral pool. As of June 30, 2021, the carrying amount of the City’s certificates of deposit was \$168,785.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage during the year ending June 30, 2021.

The City is a member of the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool, participating in workers’ compensation, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage, real and personal property coverage, and employee health insurance.

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Property Tax

The assessed valuation (net of exemptions) was \$54,575,038 for 2021 (with taxes due January 1, 2022) levied at a rate of \$0.645908 per hundred-dollar valuation.

Receivables

Receivables as of year-end for the City’s major government fund, including applicable allowances for uncollectible accounts, are as follows:

<u>Receivables</u>	Primary Government	Business-Type	Total
	General Fund	Water & Sewer Fund	
Accounts	\$ -	\$ 60,487	\$ 60,487
Sales taxes	62,540	-	62,540
Property taxes	31,504	-	31,504
Fines and forfeitures	165,150	-	165,150
Sanitation fees	9,643	-	9,643
Other	930	-	930
Gross receivables	269,767	60,487	330,254
Less: Allowance for uncollectables	(177,109)	(48,805)	(225,914)
Total	<u>\$ 92,658</u>	<u>\$ 11,682</u>	<u>\$ 104,340</u>

Interfund Transfers

Transfers are indicative of funding for capital projects, debt service, and subsidies of various City operations. The composition of inter-fund transfers from/to other funds as of June 30, 2021, is as follows:

<u>Funds</u>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ 163,508	\$ 23,328
Debt service fund	-	188,671
Capital projects fund	5,000	-
Proprietary fund	53,526	10,035
Total	<u>\$ 222,034</u>	<u>\$ 222,034</u>

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets

The following is a summary of the changes in the capital assets during the fiscal year:

<u>Primary Government</u>	<u>Balance 6/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2021</u>
<i>Governmental activities</i>				
<u>Non-depreciable assets:</u>				
Land	\$ 36,690	\$ -	\$ -	\$ 36,690
Construction in progress	42,267	-	(42,267)	-
<u>Depreciable assets:</u>				
Buildings and improvements	331,396	-	-	331,396
Infrastructure	2,399,010	124,428	-	2,523,438
Machinery and equipment	749,047	-	-	749,047
Accumulate depreciation	(932,571)	(139,816)	-	(1,072,387)
Governmental activities, net	<u>2,625,839</u>	<u>(15,388)</u>	<u>(42,267)</u>	<u>2,568,184</u>
<i>Business-type activities</i>				
<u>Non-depreciable assets:</u>				
Land	15,817	304	-	16,121
<u>Depreciable assets:</u>				
Water and sewer system	2,829,173	14,811	-	2,843,984
Machinery and equipment	234,108	-	-	234,108
Accumulate depreciation	(2,049,019)	(94,121)	-	(2,143,140)
Business-type activities, net	<u>1,030,079</u>	<u>(79,006)</u>	<u>-</u>	<u>951,073</u>
Capital assets, net	<u>\$ 3,655,918</u>	<u>\$ (94,394)</u>	<u>\$ (42,267)</u>	<u>\$ 3,519,257</u>

Depreciation expense for governmental activities was charged to Functions/Programs as follows:

General government	\$ 15,254
Public safety	35,554
Highways and streets	<u>89,008</u>
Total depreciation expense	<u>\$ 139,816</u>

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Related Parties

In the ordinary course of business, the City has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. No reportable litigation was pending against the City as of June 30, 2021.

Long-Term Liabilities

Obligations currently outstanding and reported as liabilities of the City are comprised of the following:

<u>Governmental Activities</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Yearend Balance</u>
Note Payable - Main Street Repairs	12/22/2023	3.65%	\$ 160,000	\$ 86,238
Note Payable - 2020 Ford Interceptors	9/13/2022	4.89%	98,272	67,065
Series 2018 Certificate of Obligation	6/15/2038	3.26-3.54%	2,041,000	1,807,000
<u>Business-Type Activities</u>				
Series 2004 Certificate of Obligation	8/15/2024	0.30-3.35%	700,000	170,000
			Total	<u>\$ 2,130,303</u>

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities – continued

Annual debt service requirements for the City’s notes payable are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2022	\$ 64,561	\$ 5,955	\$ 70,516
2023	70,291	3,066	73,357
2024	18,452	197	18,649
Total	<u>\$ 153,304</u>	<u>\$ 9,218</u>	<u>\$ 162,522</u>

Annual debt service requirements for the City’s certificates of obligation are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 82,000	\$ 60,683	\$ 40,000	\$ 4,880	\$ 142,683
2023	85,000	58,010	40,000	3,610	143,010
2024	87,000	55,239	45,000	2,239	142,239
2025	90,000	52,403	45,000	754	142,403
2026	93,000	49,469	-	-	142,469
2027-2031	510,000	199,912	-	-	709,912
2032-2036	593,000	110,661	-	-	703,661
2037-2038	267,000	14,266	-	-	281,266
Total	<u>\$ 1,807,000</u>	<u>\$ 600,643</u>	<u>\$ 170,000</u>	<u>\$ 11,483</u>	<u>\$ 2,407,643</u>

The changes in the general long-term debt as of June 30, 2021 are as follows:

	Balance 6/30/2020	Additions	Reductions	Balance 6/30/2021	Due Within One Year
Governmental Activities					
Certificates of obligation	\$ 1,887,000	\$ -	\$ (80,000)	\$ 1,807,000	\$ 82,000
Notes payable	220,780	-	(67,476)	153,304	64,561
Net pension liability	200,886	-	(11,385)	189,501	-
Net OPEB liability	11,640	2,440	-	14,080	-
Business-Type Activities					
Certificates of obligation	210,000	-	(40,000)	170,000	40,000
Net pension liability	78,941	-	(2,455)	76,486	-
Net OPEB liability	4,339	526	-	4,865	-
Total	<u>\$ 2,613,586</u>	<u>\$ 2,966</u>	<u>\$ (201,316)</u>	<u>\$ 2,415,236</u>	<u>\$ 186,561</u>

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan

Plan Description – The City participates as one of 895 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 Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest. Plan provisions for the City were as follows:

Plan Year	2020	2019
Employee deposit rate	5%	5%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Employees covered by benefit terms:

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>8</u>
Total	<u>13</u>

Contributions – Member contribution rates in TMRS are either 5%, 6% or 7% of the member’s total compensation, and the city matching ratios are either 1:1(1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.41% and 10.82% in calendar years 2019 and 2020, respectively. The City’s contributions to TMRS for the year ended June 30, 2021 were \$18,036, and were equal to the required contributions.

Net Pension Liability – The City’s Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Actuarial assumptions – continued:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	<u>100.00%</u>	

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 427,328	\$ 147,501	\$ 279,827
Changes for the year:			
Service cost	\$ 21,564	\$ -	\$ 21,564
Interest	28,657	-	28,657
Change of benefit terms	-	-	-
Difference between expected and actual experience	(2,787)	-	(2,787)
Changes of assumptions	-	-	-
Contributions - employer	-	33,801	(33,801)
Contributions - employee	-	16,238	(16,238)
Net investment income	-	11,312	(11,312)
Benefit payments, including refunds of employee contributions	(27,122)	(27,122)	-
Administrative expense	-	(72)	72
Other changes	-	(5)	5
Net changes	20,312	34,152	(13,840)
Balance at 12/31/2020	\$ 447,640	\$ 181,653	\$ 265,987

**CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate 5.75%	Current Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City’s net pension liability (asset)	\$ 313,010	\$ 265,987	\$ 226,945

Pension plan fiduciary net position:

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

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended June 30, 2021, the City recognized pension expense of \$11,243.

At June 30, 2021, 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	\$ -	\$ 58,104
Changes in actuarial assumptions and other inputs	-	-
Difference between projected and actual investment earnings	-	1,084
Contributions subsequent to the measurement date	34,105	-
Total	\$ 34,105	\$ 59,188

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – continued

The amount of \$34,105 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, 2021. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2021	\$ (12,859)
2022	(12,861)
2023	(13,898)
2024	(8,813)
2025	1,057
Thereafter	<u>(51)</u>
Total	<u>\$ (47,425)</u>

**CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Postemployment Benefits Other Than Pensions (OPEB): Supplemental Death Benefits Fund

Plan Description – The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by 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 an ordinance before November 1 of any year to be effective the following January 1.

Benefits Provided – 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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Employees covered by benefit terms:

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>8</u>
Total	<u>9</u>

Contributions – The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. 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 pre-fund retiree term life insurance during employees' entire careers.

Schedule of contributions:

Plan Year	2020	2019
Total SDB Contribution (Rate)	0.41%	0.37%
Retiree Portion of SDB Contribution (Rate)	0.00%	0.00%

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Actuarial assumptions:

Summary of actuarial assumptions:	
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$0.00
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, 2020.

Changes in the OPEB liability:

	Total OPEB Liability
Balance at 12/31/2019	\$ 15,979
Changes for the year:	
Service cost	\$ 2,468
Interest	473
Change of benefit terms	-
Difference between expected and actual experience	(2,343)
Changes of assumptions	2,368
Benefit payments	-
Net changes	2,966
Balance at 12/31/2020	\$ 18,945

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Sensitivity of the OPEB liability to changes in the discount rate:

	1% Decrease in Discount Rate 1.00%	Current Rate Assumption 2.00%	1% Increase in Discount Rate 3.00%
City’s net pension liability (asset)	\$ 22,756	\$ 18,945	\$ 15,853

OPEB expense:

	OPEB Expense
Service cost	\$ 2,468
Interest	473
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(970)
Changes of assumptions	723
Total OPEB expense	\$ 2,694

Deferred outflows of resources and deferred inflows of resources related to OPEB:

At June 30, 2021, 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	\$ -	\$ 5,453
Changes in actuarial assumptions and other inputs	4,614	-
Contributions subsequent to the measurement date	1,111	-
Total	\$ 5,725	\$ 5,453

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

<u>Year ended December 31:</u>	
2021	\$ (247)
2022	(247)
2023	(247)
2024	(247)
2025	(362)
Thereafter	<u>342</u>
Total	<u>\$ (1,008)</u>

Accounting Standards

The GASB has issued the following Statement(s) which were implemented during the current fiscal year as shown below:

GASB Statement No. 97 – “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*” The objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This Statement has various effective dates and will become fully effective for reporting periods beginning after December 15, 2019. All applicable provisions have been included in the City’s financial statements as of June 30, 2021.

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Accounting Standards – continued

The GASB has issued the following Statements which will become effective in future years as shown below based on the guidance of GASB Statement No. 95, [*Postponement of the Effective Dates of Certain Authoritative Guidance*]:

GASB Statement No. 84, "*Fiduciary Activities.*" The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, postponed by one year. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 87, "*Leases.*" The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, postponed by 18 months. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period.*" The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, postponed by one year. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 90, "*Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.*" The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, postponed by one year. Management has not yet determined the impact of this Statement on the financial statements.

GASB Statement No. 91, "*Conduit Debt Obligations.*" The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021, postponed by one year. Management has not yet determined the impact of this Statement on the financial statements.

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Accounting Standards – continued

GASB Statement No. 92 – “*Omnibus 2020.*” The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The Statement will become effective June 30, 2022, postponed by one year. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 93 – “*Replacement of Interbank Offered Rates.*” The primary objectives of this Statement are to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”). The Statement will become effective June 30, 2022, postponed by one year. Management has not yet determined the impact of this Statement on its financial statements.

The GASB has issued the following Statements which will become effective in future years as shown below:

GASB Statement No. 94 – “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements.*” The primary objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (“PPPs”). The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 96 – “*Subscription-Based Information Technology Arrangements.*” The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users. The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 98 – “*The Annual Comprehensive Financial Report.*” This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Management has not yet determined the impact of this Statement on its financial statements.

CITY OF BROWNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

GASB Statement No. 99 – *“Omnibus 2022.”* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement will become effective for fiscal years beginning after June 15, 2022. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 100 – *“Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62.”* The objectives of this Statement are to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement will become effective for fiscal years beginning after June 15, 2023. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 101 – *“Compensated Absences.”* The objectives of this Statement are to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement will become effective for fiscal years beginning after December 15, 2023. Management has not yet determined the impact of this Statement on its financial statements.

OMB Circular A-133 – State of Texas Single Audit Circular

The City did not expend \$750,000 or more in federal or state awards during 2021. As a result, a Single Audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular was not required for the year ended June 30, 2021.

Subsequent Events

Management has evaluated subsequent events through March 20, 2023, which is the date the financial statements were made available to management.

Required Supplementary Information

**CITY OF BROWNSBORO, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	BUDGET AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		(UNFAVORABLE)
REVENUES				
Taxes:				
Sales	\$ 185,000	\$ 185,000	\$ 325,415	\$ 140,415
Property	120,000	120,000	146,237	26,237
Franchise	44,000	44,000	43,758	(242)
Fines and forfeitures	173,177	173,177	189,457	16,280
Sanitation services	62,000	62,000	57,697	(4,303)
Licenses and permits	4,000	4,000	10,825	6,825
Interest income	-	-	102	102
Grant	-	-	-	-
Miscellaneous	1,000	1,000	51,606	50,606
Total revenues	<u>589,177</u>	<u>589,177</u>	<u>825,097</u>	<u>235,920</u>
EXPENDITURES				
General government	121,059	121,059	244,878	(123,819)
Municipal court	65,422	65,422	60,937	4,485
Public safety	279,268	279,268	388,230	(108,962)
Highways and streets	20,000	20,000	13,197	6,803
Sanitation	43,000	43,000	56,400	(13,400)
Parks and recreation	60,428	60,428	67,152	(6,724)
Debt service	184,912	184,912	178,562	6,350
Total expenditures	<u>774,089</u>	<u>774,089</u>	<u>1,009,356</u>	<u>(235,267)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(184,912)</u>	<u>(184,912)</u>	<u>(184,259)</u>	<u>653</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	184,912	184,912	163,508	(21,404)
Operating transfers to other funds	-	-	(23,328)	(23,328)
Total other financing sources	<u>184,912</u>	<u>184,912</u>	<u>140,180</u>	<u>(44,732)</u>
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>(44,079)</u>	<u>\$ (44,079)</u>
Fund balance - beginning of year			<u>863,464</u>	
Fund balance - end of year			<u>\$ 819,385</u>	

TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)

	2020	2019	2018	2017
Total pension liability				
Service cost	\$ 21,564	\$ 22,431	\$ 25,010	\$ 20,948
Interest (on the total pension liability)	28,657	26,435	29,879	26,845
Changes of benefit terms	-	-	-	387,238
Difference between expected and actual experience	(2,787)	10,821	(86,860)	-
Change of assumptions	-	88	-	-
Benefit payments, including refunds of employee contributions	(27,122)	(25,732)	(9,775)	-
Net change in total pension liability	20,312	34,043	(41,746)	435,031
Total pension liability - beginning	427,328	393,285	435,031	-
Total pension liability - ending (a)	\$ 447,640	\$ 427,328	\$ 393,285	\$ 435,031
Plan fiduciary net position				
Contributions - employer	\$ 33,801	\$ 35,357	\$ 45,157	\$ 37,800
Contributions - employee	16,238	16,445	18,256	15,291
Net investment income	11,312	16,439	(1,609)	-
Benefit payments, including refunds of employee contributions	(27,122)	(25,732)	(9,775)	-
Administrative expense	(72)	(92)	(31)	-
Other	(5)	(3)	(2)	-
Net change in plan fiduciary net position	34,152	42,414	51,996	53,091
Plan fiduciary net position - beginning	147,501	105,087	53,091	-
Plan fiduciary net position - ending (b)	\$ 181,653	\$ 147,501	\$ 105,087	\$ 53,091
Net pension liability - ending [(a) - (b)]	\$ 265,987	\$ 279,827	\$ 288,198	\$ 381,940
Plan fiduciary net position as a percentage of total pension liability	40.58%	34.52%	26.72%	12.20%
Covered employee payroll	\$ 324,761	\$ 328,906	\$ 364,120	\$ 305,815
Net pension liability as a percentage of covered employee payroll	81.90%	85.08%	79.15%	124.89%

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)**

	2020	2019	2018	2017
Actuarially determined contribution	\$ 265,987	\$ 279,827	\$ 288,198	\$ 381,940
Contributions in relation to the actuarially determined contribution	<u>50,039</u>	<u>51,802</u>	<u>63,413</u>	<u>53,091</u>
Contribution deficiency (excess)	<u>215,948</u>	<u>228,025</u>	<u>224,785</u>	<u>328,849</u>
Covered employee payroll	324,761	328,906	364,120	305,815
Contributions as a percentage of covered employee payroll	15.41%	15.75%	17.42%	17.36%

NOTES TO THE SCHEDULE OF CONTRIBUTIONS

Valuation Date:	
Notes	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 rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	13 years
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other information:	
Notes	There were no benefit changes during the year.

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)
(UNAUDITED)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 2,468	\$ 1,875	\$ 2,045
Interest (on the total OPEB liability)	473	452	499
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(2,343)	(893)	(4,599)
Change of assumptions	2,368	3,310	(771)
Benefit payments	-	-	-
	<u>2,966</u>	<u>4,744</u>	<u>(2,826)</u>
Net change in total OPEB liability			
	2,966	4,744	(2,826)
Total OPEB liability - beginning	<u>15,979</u>	<u>11,235</u>	<u>14,061</u>
Total OPEB liability - ending	<u>\$ 18,945</u>	<u>\$ 15,979</u>	<u>\$ 11,235</u>
Covered employee payroll	\$ 324,761	\$ 328,906	\$ 365,113
Total OPEB liability as a percentage of covered employee payroll	5.83%	4.86%	3.08%

Supplementary Information

**CITY OF BROWNSBORO, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	CAPITAL PROJECTS	GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Restricted cash	\$ 11,559	\$ 26	\$ 11,585
Total assets	<u>\$ 11,559</u>	<u>\$ 26</u>	<u>\$ 11,585</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS (OF RESOURCES)			
Property taxes	-	-	-
Fines, forfeitures, and warrants	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted fund balance:			
Capital improvements	11,559	26	11,585
Unassigned fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>11,559</u>	<u>26</u>	<u>11,585</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,559</u>	<u>\$ 26</u>	<u>\$ 11,585</u>

CITY OF BROWNSBORO, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	CAPITAL PROJECTS	GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes:			
Sales	\$ -	\$ -	\$ -
Property	-	-	-
Franchise	-	-	-
Fines and forfeitures	-	-	-
Sanitation services	-	-	-
Licenses and permits	-	-	-
Interest income	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
General government	-	-	-
Municipal court	-	-	-
Public safety	-	-	-
Highways and streets	86,205	-	86,205
Sanitation	-	-	-
Parks and recreation	-	-	-
Debt service	-	-	-
Total expenditures	<u>86,205</u>	<u>-</u>	<u>86,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(86,205)</u>	<u>-</u>	<u>(86,205)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers from other funds	5,000	-	5,000
Operating transfers to other funds	-	-	-
Total other financing sources (uses)	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Net change in fund balances	(81,205)	-	(81,205)
Fund balances - beginning of year	<u>92,764</u>	<u>26</u>	<u>92,790</u>
Fund balances - end of year	<u>\$ 11,559</u>	<u>\$ 26</u>	<u>\$ 11,585</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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 20, 2023.

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 or significant deficiencies may exist that were not 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2021-001.

City of Brownsboro, Texas's Response to Prior Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying summary schedule of prior findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

City of Brownsboro, Texas's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

March 20, 2023

**CITY OF BROWNSBORO, TEXAS
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

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

**CITY OF BROWNSBORO, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021**

2021-001 Compliance

Condition:

The City is not meeting statutory requirements for the following items:

- Internal Revenue Service Information Return Reporting, Form-1099
- Chapter 2256 of the Texas Government Code, the Public Funds Investment Act
- Chapter 2054.519 of the Texas Government Code, Certified Cyber Security Training
- *Robert's Rule of Order* guide to parliamentary procedure when Texas Open Meetings Act does not apply
- Chapter 551.005 of the Texas Government Code, Open Meetings Act Training

Criteria:

The Internal Revenue Service, Texas Government Code and Local Government Code have specific requirements for municipalities to follow.

Cause of Condition:

The City's key personnel have not had sufficient training to comply with statutory requirements.

Potential Effect of Condition:

Noncompliance with statutory requirements could lead to fines and penalties under Federal laws and regulations, as well as Texas Government Code and Local Government Code.

Recommendation 2021-001

The City should train key personnel and establish a process to monitor its compliance with statutory requirements of the Internal Revenue Service, the Texas Government Code and Local Government Code.

Management Response **Agree** **Disagree**

Corrective Action Plan

Individual Responsible	Dusty Wise, Mayor	Estimated Implementation Date	June 30, 2023
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The City is actively facilitating training of its key personnel and City Council to maintain compliance with Federal regulations and Texas statutes.