

City of Brazos Country, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

CITY OF BRAZOS COUNTRY, TEXAS

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2023

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INTRODUCTORY SECTION

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CITY OF BRAZOS COUNTRY, TEXAS

GOVERNING BODY AND PRINCIPAL OFFICIALS

September 30, 2023

GOVERNING BODY

Bob Ray, Mayor
Richard Cheek, Mayor Pro-Tem
Albert Sykes
Joe McSloy
Dave Carrasquillo
Neil Howard

PRINCIPAL OFFICIALS

Mary Lou Craig, City Secretary
J. Grady Randle, City Attorney

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FINANCIAL SECTION



9314 Turnbull Ln.
Rosenberg, TX 77469
Tel: 281.725.2706
Email: curtis@curtiscraigcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of City Council
City of Brazos Country
Austin County, Texas

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brazos Country, 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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Brazos Country, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brazos Country, Texas's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information is comprised of the introductory section but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Curtis T. Craig, CPA

Rosenberg, Texas
August 8, 2024

Management's Discussion and Analysis

As management of the City of Brazos Country, Texas, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2023.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$911,616 (net position). Of this amount, \$293,688 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$101,819 during the 2023 fiscal year.
- The City's total expenses were \$169,724. Program revenues of \$107,346 reduced the net cost of the City's functions to be financed from the City's general revenues to \$62,378.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$147,132, or 56.2 percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

The government-wide financial statements present functions of the City that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 15 through 17 of this report.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar, as the focus is on the City's most significant funds. The fund financial statements provide more information about the City's most significant funds - not the City as a whole.

The City has two types of funds:

Governmental Funds - Some of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed

short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's major programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in the governmental funds statements that explains the relationship/differences between them.

The City maintains one major governmental fund, the General Fund, for financial reporting purposes. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for this fund.

Proprietary Fund – The City maintains a single enterprise fund, the Utility Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The fund financial statements can be found on pages 18 through 25 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 37 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget. Required supplementary information can be found on pages 40 through 41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$911,616 as of September 30, 2023.

The largest portion of the City's net position (67.8 percent) reflects its investment in capital assets (e.g. land, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending.

The remaining portion of the City's net position (32.2 percent) represents unrestricted financial resources available for future operations.

SUMMARY OF STATEMENT OF NET POSITION
As of September 30, 2023 and 2022

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 151,979	\$ 263,023	\$ 175,783	\$ 136,489	\$ 327,762	\$ 399,512
Capital assets, net	266,712	91,889	351,216	356,029	617,928	447,918
Total Assets	418,691	354,912	526,999	492,518	945,690	847,430
Other liabilities	1,890	9,380	32,184	28,253	34,074	37,633
Total Liabilities	1,890	9,380	32,184	28,253	34,074	37,633
Net Position:						
Net investment in						
capital assets	266,712	91,889	351,216	356,029	617,928	447,918
Unrestricted	150,089	253,643	143,599	108,236	293,688	361,879
Total Net Position	\$ 416,801	\$ 345,532	\$ 494,815	\$ 464,265	\$ 911,616	\$ 809,797

Net position of the City, which relates to governmental and business-type activities, increased by \$101,819. Key elements of the increase are as follows:

CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2023 and 2022

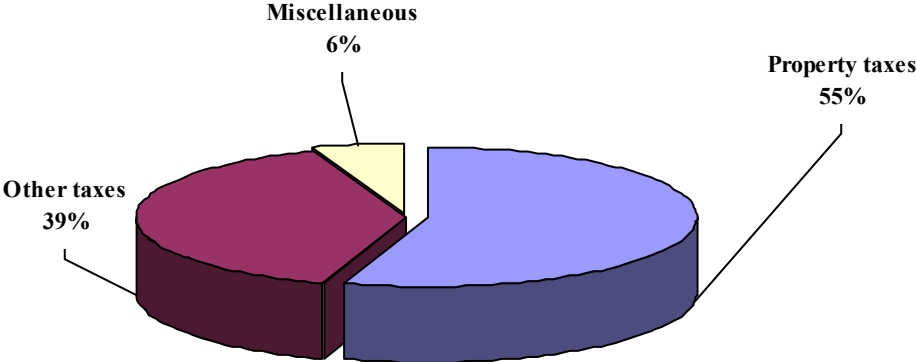
	Governmental		Business-Type		Totals	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$	\$	\$ 107,346	\$ 105,677	\$ 107,346	\$ 105,677
General revenues:						
Property taxes	89,865	89,102			89,865	89,102
Other taxes	64,278	59,014			64,278	59,014
Miscellaneous	9,209	204	845	48,386	10,054	48,590
Total Revenues	163,352	148,320	108,191	154,063	271,543	302,383
Expenses						
General government	65,006	45,417			65,006	45,417
Roads and streets	21,800	14,685			21,800	14,685
Utilities			82,918	109,166	82,918	109,166
Total Expenses	86,806	60,102	82,918	109,166	169,724	169,268
Increase (Decrease) in						
Net Position Before						
Transfers	76,546	88,218	25,273	44,897	101,819	133,115
Transfers	(5,277)		5,277			
Change in Net Position	71,269	88,218	30,550	44,897	101,819	133,115
Net Position, Beginning	345,532	257,314	464,265	419,368	809,797	676,682
Net Position, Ending	\$ 416,801	\$ 345,532	\$ 494,815	\$ 464,265	\$ 911,616	\$ 809,797

The City's governmental net position increased by \$71,269, as compared to an increase of \$88,218 in the prior year.

The City's business-type net position increased by \$30,550, as compared to an increase of \$44,897 in the prior year.

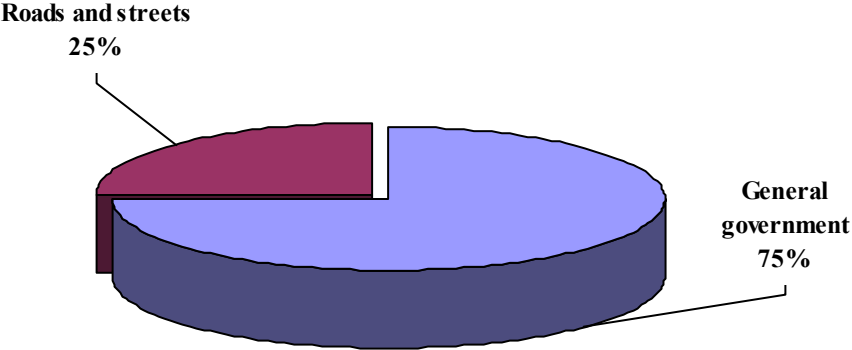
Graphic presentations of selected data from the changes in net position table follow to assist in the analysis of the City's activities.

GOVERNMENTAL REVENUES



For the fiscal year ended September 30, 2023, revenues from governmental activities totaled \$163,352.

GOVERNMENTAL EXPENSES



For the fiscal year ended September 30, 2023, expenses from governmental activities totaled \$86,806, the largest portion of which relates to general government (74.9%).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental funds and proprietary fund are discussed as follows:

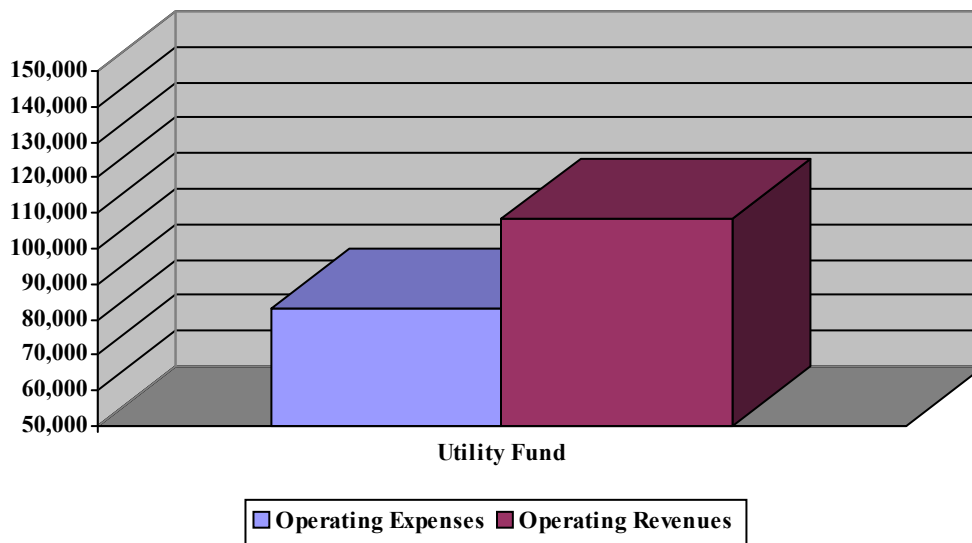
Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of September 30, 2023, the City's governmental fund reported an ending fund balance of \$147,132, which is a decrease of \$103,980 from last year's total of \$251,112. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 56.2 percent of total General Fund expenditures.

Proprietary Fund - The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail (see Exhibits A-6, A-7, and A-8).

The Utility Fund has an unrestricted net position at fiscal year-end of \$143,599. The increase in total net position of the Utility Fund for the year was \$30,550. Other factors concerning the finances of the City's proprietary fund have already been addressed in the discussion of the City's business-type activities.

BUSINESS-TYPE ACTIVITIES Operating Expenses and Revenues



CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets - The City's net investment in capital assets as of September 30, 2023, amounts to \$617,928 (net of accumulated depreciation). This net investment in capital assets includes land, roads and improvements, equipment, water system, fence and shed.

CAPITAL ASSETS SCHEDULE September 30, 2023 and 2022

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land	\$ 4,225	\$ 4,225	\$	\$	\$ 4,225	\$ 4,225
Roads and improvements	869,209	675,608	3,704	3,704	872,913	679,312
Equipment	5,604	5,004			5,604	5,004
Water system			451,714	451,714	451,714	451,714
Fence			6,860	6,860	6,860	6,860
Shed/building			17,005	4,296	17,005	4,296
Less: accum. depreciation	(612,326)	(592,948)	(128,067)	(110,545)	(740,393)	(703,493)
Totals	\$ 266,712	\$ 91,889	\$ 351,216	\$ 356,029	\$ 617,928	\$ 447,918

Additional information on the City's capital assets can be found in Note 7 in the Notes to Financial Statements.

Long-Term Liabilities – As of September 30, 2023, the City does not have any long-term liabilities.

GENERAL FUND HIGHLIGHTS

- For the fiscal year ended September 30, 2023, fund balance in the General Fund decreased to \$147,132.
- For the 2023 fiscal year, total revenues were more than budgeted amounts by \$18,649.
- For the 2023 fiscal year, total expenditures and transfers out were less than appropriations by \$134,544.

NEXT YEAR'S GENERAL FUND BUDGET AND TAX RATE

The annual budget is developed to provide efficient, effective and controlled use of the City's resources. For fiscal year 2024, the City adopted a budget for the General Fund in the amount of \$269,675. The adopted tax rate for fiscal year 2024 (2023 tax year) is 0.078520 per \$100 valuation, which is 0.006363 less than the tax rate that was adopted for the 2023 fiscal year (2022 tax year).

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Brazos Country, Texas's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Brazos Country, Texas, 329 Pecan Grove Road, Sealy, Texas 77474.

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BASIC FINANCIAL STATEMENTS

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CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION

September 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 44,572	\$ 146,225	\$ 190,797
Investments	100,000		100,000
Receivables, net:			
Taxes	6,386		6,386
Customer accounts		13,114	13,114
Other	1,021		1,021
Restricted cash and cash equivalents		16,444	16,444
Capital assets not being depreciated	4,225		4,225
Capital assets, net of accumulated depreciation	262,487	351,216	613,703
Total Assets	<u>418,691</u>	<u>526,999</u>	<u>945,690</u>
<u>Liabilities</u>			
Accounts payable	1,890	4,516	6,406
Unearned revenue		11,224	11,224
Customer deposits		16,444	16,444
Total Liabilities	<u>1,890</u>	<u>32,184</u>	<u>34,074</u>
<u>Net Position</u>			
Net investment in capital assets	266,712	351,216	617,928
Unrestricted	150,089	143,599	293,688
Total Net Position	<u>\$ 416,801</u>	<u>\$ 494,815</u>	<u>\$ 911,616</u>

See Notes to Financial Statements.

CITY OF BRAZOS COUNTRY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues Charges for Services
Governmental Activities:		
General government	\$ 65,006	\$
Roads and streets	21,800	
Total Governmental Activities	86,806	
Business-Type Activities:		
Utilities	82,918	107,346
Total Business-Type Activities	82,918	107,346
Totals	\$ 169,724	\$ 107,346

General Revenues:

Taxes:

Property taxes, penalties and interest

Sales taxes

Franchise taxes

Investment earnings

Miscellaneous

Transfers

Total General Revenues

Change in Net Position

Net Position, Beginning

Net Position, Ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (65,006)	\$	\$ (65,006)
(21,800)		(21,800)
<u>(86,806)</u>		<u>(86,806)</u>
	24,428	24,428
	<u>24,428</u>	<u>24,428</u>
\$ (86,806)	\$ 24,428	\$ (62,378)
\$ 89,865	\$	\$ 89,865
43,635		43,635
20,643		20,643
1,021		1,021
8,188	845	9,033
<u>(5,277)</u>	<u>5,277</u>	
<u>158,075</u>	<u>6,122</u>	<u>164,197</u>
71,269	30,550	101,819
345,532	464,265	809,797
<u>\$ 416,801</u>	<u>\$ 494,815</u>	<u>\$ 911,616</u>

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-3

BALANCE SHEET GOVERNMENTAL FUND

September 30, 2023

	General Fund
<u>Assets</u>	
Cash and cash equivalents	\$ 44,572
Investments	100,000
Receivables, net:	
Property taxes	2,957
Sales taxes	3,429
Other	1,021
Total Assets	\$ 151,979
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>	
<u>Liabilities</u>	
Accounts payable	\$ 1,890
Total Liabilities	1,890
<u>Deferred Inflows of Resources</u>	
Unavailable revenues - property taxes	2,957
Total Deferred Inflows of Resources	2,957
<u>Fund Balance</u>	
Unassigned	147,132
Total Fund Balance	147,132
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 151,979

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	\$ 266,712
Revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds.	2,957
Net Position of Governmental Activities	\$ 416,801

See Notes to Financial Statements.

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-4

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

For the Year Ended September 30, 2023

	General Fund
<u>Revenues</u>	
Property taxes	\$ 89,439
Franchise taxes	20,643
Sales taxes	43,635
Investment earnings	1,021
Other	8,188
Total Revenues	<u>162,926</u>
<u>Expenditures</u>	
Current:	
General government:	
Contract services	43,540
Dues and memberships	659
Insurance	2,025
Office supplies/other	2,120
Professional services	9,000
Other	7,112
Roads and streets:	
Repairs and maintenance	2,972
Capital outlay	<u>194,201</u>
Total Expenditures	<u>261,629</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(98,703)</u>
<u>Other Financing (Uses):</u>	
Transfer (out)	<u>(5,277)</u>
Total Other Financing (Uses)	<u>(5,277)</u>
Net Change in Fund Balance	(103,980)
Fund Balance - Beginning	<u>251,112</u>
Fund Balance - Ending	<u>\$ 147,132</u>

See Notes to Financial Statements.

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-5

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

For the Year Ended September 30, 2023

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

Net change in fund balances - governmental funds	\$ (103,980)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	174,823
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. This adjustment reflects the net change in property taxes receivable on the accrual basis of accounting.	<u>426</u>
Change in Net Position of Governmental Activities	<u><u>\$ 71,269</u></u>

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CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-6

STATEMENT OF NET POSITION PROPRIETARY FUND

September 30, 2023

	Business-Type Activities Enterprise Fund
	Utility Fund
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 146,225
Receivables:	
Accounts, net	13,114
Restricted cash and cash equivalents	16,444
Non-Current Assets:	
Capital assets	479,283
Less: accumulated depreciation	(128,067)
Total capital assets, net of accumulated depreciation	<u>351,216</u>
Total Assets	<u>526,999</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable	4,516
Customer deposits	16,444
Unearned revenue	11,224
Total Liabilities	<u>32,184</u>
<u>Net Position</u>	
Net investment in capital assets	351,216
Unrestricted	143,599
Total Net Position	<u>\$ 494,815</u>

See Notes to Financial Statements.

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-7

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2023

	Business-Type Activities
	Enterprise Fund
	Utility
	Fund
<u>Operating Revenues</u>	
Charges for services - water bills	\$ 107,346
Other	845
Total Operating Revenues	108,191
<u>Operating Expenses</u>	
Chemicals and supplies	2,210
Contracted services	28,164
Fees	2,656
Insurance	2,025
Office expenses	909
Repairs and maintenance	19,499
Utilities	8,515
Other	1,418
Depreciation	17,522
Total Operating Expenses	82,918
Operating Income	25,273
<u>Non-Operating Revenues (Expenses)</u>	
Investment earnings	
Gain (loss) on disposal of capital assets	
Total Non-Operating Revenues	
Income Before Transfers	25,273
Transfers in	5,277
Net Income	30,550
Net Position, Beginning	464,265
Net Position, Ending	\$ 494,815

See Notes to Financial Statements.

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-8 (Page 1 of 2)

STATEMENT OF CASH FLOWS PROPRIETARY FUND

For the Year Ended September 30, 2023

	Business-Type Activities
	Enterprise Fund
	Utility Fund
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 104,265
Cash paid to suppliers for goods and services	(62,465)
Other revenue	845
Net Cash Provided by Operating Activities	42,645
<u>Cash Flows from Non-Capital Financing Activities</u>	
Transfers from other funds	5,277
Net Cash Provided by Non-Capital Financing Activities	5,277
<u>Cash Flows from Capital and Related</u>	
<u>Financing Activities</u>	
Acquisition of capital assets	(12,709)
Net Cash (Used) by Capital and Related	
Financing Activities	(12,709)
Net Increase in Cash and Cash Equivalents	35,213
Cash and Cash Equivalents, Beginning	127,456
Cash and Cash Equivalents, Ending	\$ 162,669

See Notes to Financial Statements.

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-8 (Page 2 of 2)

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended September 30, 2023

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities

Operating Income	\$	25,273
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation expense		17,522
(Increase) decrease in receivables		(4,081)
Increase (decrease) in accounts payable and accrued expenses		3,931
Net Cash Provided by Operating Activities	\$	42,645

See Notes to Financial Statements.

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Brazos Country, Texas (the “City”), have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the primary accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

The City is a political subdivision of the State of Texas and was incorporated in 2000. The City is governed by an elected mayor and five-member council. As required by generally accepted accounting principles, these financial statements present all governmental activities, agencies, organizations and functions for which the City’s governing body is considered to be financially accountable.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additional prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board Statement No. 34 - Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments (“Statement No. 34”).

Certain of the significant changes in the Statement include the following:

- A Management’s Discussion and Analysis (“MD&A”) section providing an analysis of the City’s overall financial position and changes in financial position.
- Government-wide financial statements prepared using the accrual basis of accounting for all of the City’s governmental and business-type activities.
- Fund financial statements focusing on the major funds.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the reclassification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted net position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the City as a whole. These statements include all non-fiduciary activities of the primary government. Interfund activity has been removed from these financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use of directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. 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 and major individual proprietary funds are reported as separate columns in the fund financial statements.

D. Measurement Focus and Basis of Accounting

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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Governmental fund financial statements are reported

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

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

Property taxes, franchise taxes, licenses, and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The government reports the following major governmental fund:

General Fund

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

The government reports the following major proprietary fund:

Utility Fund

The Utility Fund is an enterprise fund, which is a fund type that focuses on the determination of operating income, changes in net position, and cash flows. Enterprise funds are accounted for in a manner similar to private businesses, where the intent of management is to cover operating costs through user charges.

The City does not have any non-major governmental or proprietary funds.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and temporary investments, when held. These cash and temporary investments are generally available for the City's disbursement needs and have maturities of three months or less from the date of acquisition.

F. Investments

Investments consist of certificates of deposit. The City reports all investments at fair value. The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

H. Interfund Receivables and Payables

When applicable, during the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are, for the most part, eliminated from the government-wide statement of net position and are classified as "due from other funds" or "due to other funds" in the fund financial statements.

I. Restricted Assets

The enterprise fund has restricted cash for customer deposits.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. Infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems) acquired before January 1, 2004, have not been capitalized and are excluded from capital assets of governmental activities. The City estimates that approximately 35,000 feet of roads and streets were acquired before this date and have not been capitalized.

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

The City's policy is to capitalize assets with an initial cost exceeding \$500. Property, plant, equipment and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Water system	25-35 years
Roads and streets	10-15 years
Drainage improvements	10-15 years
Water system fence	5-15 years
Machinery and equipment	7-10 years
Office equipment	5-10 years

K. Unearned Revenue

Unearned revenue represents grant monies received in prior fiscal years that has not yet been spent.

L. Deferred Inflows of Resources

Deferred inflows of resources represent 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. Deferred inflows of resources reported in the fund level financial statements consist of unavailable property taxes.

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

M. Fund Balance

Restricted fund balance represents those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Unassigned fund balance represents available funds for the City's future use.

N. Estimates

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

O. Budgets

Annual appropriated budgets are adopted for the General Fund on basis consistent with the modified accrual basis of accounting.

P. Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Q. Operating and Nonoperating Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility Fund are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Utility Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

R. Date of Management's Review

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through August 8, 2024, the date that the financial statements were available to be issued.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted in accordance with generally accepted accounting principles for the General Fund and Utility Fund. An annual appropriated budget is adopted by City Council for the General Fund. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time during the fiscal year, City Council may make

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. City Council has the power to re-estimate revenues and expenditures, and to accordingly amend the budget. The adopted budgets are prepared by fund and object. Transfers of appropriations between objects require the approval of City Council. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the object level.

NOTE 3 – DEPOSITS AND INVESTMENTS

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (“PFIA”), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.

The City's cash and investments are classified as: cash and cash equivalents, investments and restricted cash. The restricted cash represents assets restricted for customer deposits.

As of September 30, 2023, the City invested in one certificate of deposit.

Deposit and Investment Amounts

The following schedule details the City’s cash and cash equivalents and investments at year-end:

<u>Cash and Cash Equivalents</u>	<u>Primary Government</u>
Cash deposits	\$ 190,797
Restricted cash deposits	16,444
Total	\$ 207,241

<u>Investments</u>	<u>Primary Government</u>
Certificate of deposit	\$ 100,000
Total	\$ 100,000

The City’s total cash deposits, including certificates of deposit, as of September 30, 2023, were entirely covered by collateralized securities held in the City’s name or by federal deposit insurance.

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

Investments' fair value measurements are as follows as of September 30, 2023:

<u>Investments</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Certificate of deposit	\$ 100,000	\$	\$ 100,000	\$
Total	\$ 100,000	\$	\$ 100,000	\$

Fair value of certificates of deposit, classified as Level 2, is based on price data obtained from pricing vendors.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City does not have any policies for interest rate risk, concentration of credit risk, credit risk or custodial credit risk.

NOTE 4 - PROPERTY TAXES

The City's property taxes are levied annually in October on the basis of the appraisal district's assessed values as of January 1st of that calendar year. Appraised values are established by the appraisal district at market value and assessed at 100% of appraised value. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on property on February 1st of the subsequent calendar year.

Property taxes are levied for operations and are based on rates adopted for the year of the levy. For the current year, the City levied property taxes of \$0.084883 per \$100 of assessed valuation. The resulting adjusted tax levy was \$89,493 on the total adjusted taxable valuation of \$105,431,299 for the 2022 tax year.

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

Property taxes receivable, as of September 30, 2023, consists of the following:

Tax Year	General Fund
2022	\$ 728
2021	488
2020	265
2019	262
2018	236
2017 and prior	978
Totals	\$ 2,957

NOTE 5 - RECEIVABLES

Receivables as of September 30, 2023, for the City’s individual major funds, including any applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Totals
	General Fund	Utility Fund	
	Net Receivables:		
Accounts	\$	\$ 13,114	\$ 13,114
Taxes	6,386		6,386
Other	1,021		1,021
Totals	\$ 7,407	\$ 13,114	\$ 20,521

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the components of deferred inflows of resources reported in the governmental funds are as follows:

Delinquent property taxes receivable - General Fund	\$ 2,957
Total	\$ 2,957

NOTE 6 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended September 30, 2023, are as follows:

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

<u>Transfers In</u>	<u>Transfers (Out)</u>	<u>Amount</u>	<u>Purpose</u>
Utility Fund	General Fund	\$ 5,277	Funding for storage building
	Total	\$ 5,277	

NOTE 7 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2023:

Governmental Activities:

	<u>Balances</u> <u>Oct. 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>Sept. 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 4,225	\$	\$	\$ 4,225
Total capital assets not being depreciated	4,225			4,225
Capital assets being depreciated:				
Roads and improvements	675,608	193,601		869,209
Equipment	5,004	600		5,604
Total capital assets being depreciated	680,612	194,201		874,813
Less accumulated depreciation for:				
Roads and improvements	(589,323)	(18,828)		(608,151)
Equipment	(3,625)	(550)		(4,175)
Total accumulated depreciation	(592,948)	(19,378)		(612,326)
Total capital assets being depreciated, net	87,664	174,823		262,487
Governmental activities capital assets, net	\$ 91,889	\$ 174,823	\$	\$ 266,712

Business-Type Activities:

	<u>Balances</u> <u>Oct. 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>Sept. 30, 2023</u>
Capital assets being depreciated:				
Water system	451,714			451,714
Fence	6,860			6,860
Shed/building	4,296	12,709		17,005
Road improvements	3,704			3,704
Total capital assets being depreciated	466,574	12,709		479,283
Less accumulated depreciation for:				
Water system	(98,193)	(17,061)		(115,254)
Fence	(6,860)			(6,860)
Shed/building	(1,788)	(461)		(2,249)
Road improvements	(3,704)			(3,704)
Total accumulated depreciation	(110,545)	(17,522)		(128,067)
Total capital assets being depreciated, net	356,029	(4,813)		351,216
Business-type activities capital assets, net	\$ 356,029	\$ (4,813)	\$	\$ 351,216

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

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

Governmental Activities:	
General government	\$ 550
Roads and streets	18,828
Total Depreciation Expense - Governmental Activities	\$ 19,378
Business-Type Activities:	
Utilities	\$ 17,522
Total Depreciation Expense - Business-Type Activities	\$ 17,522

NOTE 8 - FUND BALANCES

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following five categories:

Nonspendable:

To indicate fund balance associated with inventories, prepaids, long-term loans, notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted:

To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed:

To indicate fund balance that can be used only for the specific purposes determined by a formal action of the City Council (the City’s highest level of decision-making authority). City Council must place an item on the Council’s agenda, followed by a formal action to approve such, in order to establish, modify or rescind a fund balance commitment.

Assigned:

To indicate fund balance to be used for specific purposes but do meet the criteria to be classified as restricted or committed. Currently, only City Council has the authority to assign fund balances.

Unassigned:

To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit A-9

NOTES TO FINANCIAL STATEMENTS

Fund balance for the governmental fund as of September 30, 2023, is distributed as follows:

	General Fund
Unassigned	<u>\$ 147,132</u>
Totals	<u><u>\$ 147,132</u></u>

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The City does not currently have any such policies.

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage. There were no significant reductions in insurance coverage in the past fiscal year and settlements have not exceeded coverage amounts for the past three fiscal years.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit B-1

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

Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance from Final Favorable (Unfavorable)
	Original	Final		
<u>Revenues</u>				
Property taxes	\$ 88,783	\$ 88,783	\$ 89,439	\$ 656
Franchise taxes	20,494	20,494	20,643	149
Sales taxes	35,000	35,000	43,635	8,635
Investment earnings			1,021	1,021
Other			8,188	8,188
Total Revenues	144,277	144,277	162,926	18,649
<u>Expenditures</u>				
Current:				
General government:				
Contract services	46,600	46,600	43,540	3,060
Dues and memberships	725	725	659	66
Insurance	2,000	2,000	2,025	(25)
Office supplies/other	2,975	2,975	2,120	855
Elections	3,200	3,200		3,200
Professional services	22,000	22,000	9,000	13,000
Other	82,750	82,750	7,112	75,638
Roads and streets:				
Repairs and maintenance	15,200	15,200	2,972	12,228
Capital outlay	100,000	226,000	194,201	31,799
Total Expenditures	275,450	401,450	261,629	139,821
Excess (Deficiency) of Revenues Over (Under) Expenditures	(131,173)	(257,173)	(98,703)	158,470
<u>Other Financing (Uses):</u>				
Transfer (out)			(5,277)	(5,277)
Total Other Financing (Uses)			(5,277)	(5,277)
Net Change in Fund Balance	(131,173)	(257,173)	(103,980)	153,193
Fund Balance - Beginning	251,112	251,112	251,112	
Fund Balance - Ending	\$ 119,939	\$ (6,061)	\$ 147,132	\$ 153,193

CITY OF BRAZOS COUNTRY, TEXAS

Exhibit B-2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. Budgets and Budgetary Accounting

The City's budget is prepared for governmental fund types in accordance with generally accepted accounting principles. An annual appropriated budget is adopted by City Council for the General Fund. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time during the fiscal year, City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. City Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to accordingly amend the budget.

B. Excess of Expenditures and Transfers Out Over Appropriations

For the year ended September 30, 2023, expenditures for insurance and transfers out exceeded appropriations in the amounts of \$25 and \$5,277, respectively. These expenditures and transfers out in excess over appropriations were funded by appropriations in excess of expenditures in other expenditure line-items. For the 2023 fiscal year, total expenditures and transfers out were \$134,544 less than appropriations.

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