

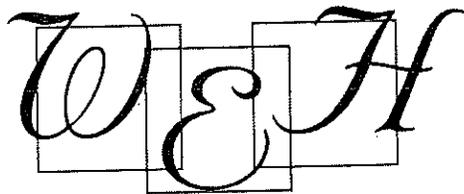
CITY OF BROWNFIELD, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Certified Public
Accountant

William E. Holloway, CPA

CITY OF BROWNFIELD, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

| | <u>Statement Identification</u> | <u>Page No</u> |
|--|-------------------------------------|--------------------|
| FINANCIAL SECTION | | |
| Independent Auditor's Report | | 1-2 |
| Management's Discussion and Analysis | | 3-8 |
| <u>Basic Financial Statements</u> | | |
| Statement of Net Position | Exhibit A-1.1 | 9 |
| Statement of Activities | Exhibit A-1.2 | 10 |
| Balance Sheet – Governmental Funds | Exhibit A-2.1 | 11 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | Exhibit A-2.2 | 12 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | Exhibit A-2.3 | 13 |
| Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds To the Statement of Activities | Exhibit A-2.4 | 14 |
| Statement of Net Position – Proprietary Funds | Exhibit A-3.1 | 15 |
| Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds | Exhibit A-3.2 | 16 |
| Statement of Cash Flows – Proprietary Funds | Exhibit A-3.3 | 17 |
| Statement of Net Position – Fiduciary Funds | Exhibit A-4.1 | 18 |
| Statement of Changes in Net Position | Exhibit A-4.2 | 19 |
| Notes to Financial Statements | | 20-41 |

CITY OF BROWNFIELD, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

| | <u>Statement Identification</u> | <u>Page No</u> |
|--|-------------------------------------|--------------------|
| REQUIRED SUPPLEMENTARY INFORMATION | | |
| Statement of Revenues, Expenditures and Changes in Fund Balance Budget (GAAP Basis) and Actual General Fund | Exhibit B-1 | 42 |
| Statement of Revenues | Exhibit B-2 | 43 |
| Statement of Expenditures – by Department | Exhibit B-3 | 44-49 |
| COMBINING NON-MAJOR FUND FINANCIAL STATEMENTS | | |
| Combining Balance Sheet- Non-Major Government Funds | Exhibit C-1 | 50 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds | Exhibit C-2 | 51 |
| Combining Statement of Net Assets – Power and Light Funds | Exhibit D-1.1 | 52 |
| Combining Statement of Revenues, Expenses, and Changes In Net Assets – Power and Light Funds | Exhibit D-1.2 | 53 |
| Combining Statement of Cash Flows – Power and Light Funds | Exhibit D-1.3 | 54 |
| Combining Statement of Net Assets – Water and Sewer Funds | Exhibit E-1.1 | 55 |
| Combining Statement of Revenues, Expenses and Changes in Net Assets – Water and Sewer Funds | Exhibit E-1.2 | 56 |
| Combining Statement of Cash Flows – Water and Sewer Funds | Exhibit E-1.3 | 57 |
| Schedule of Contributions | Exhibit F-1 | 58 |
| Schedule of Changes in Net Pension Liability and Related Ratios | Exhibit F-2 | 59 |



William E. Holloway, CPA

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Brownfield, Texas

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brownfield, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brownfield, Texas, as of September 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension related information on pages 3–8 and 40–50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 our 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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City Brownfield, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

William E. Holloway, CPA
Brownfield, Texas
MAY 10, 2018

CITY OF BROWNFIELD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

City Council Members and Citizens of the City of Brownfield, Texas,

This section of the City's annual financial report presents our discussion and analysis of the City of Brownfield's financial performance during the fiscal year that ended on September 30, 2017. Please read it in conjunction with the City's financial statements and independent auditor's report.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$ 21,901,237 (net position) as compared to \$23,408,307 in the previous year. During the years ended September 30, 2017 and 2016, the City's expenses were \$17,320,860 and \$16,801,191 respectively compared to \$16,793,872 and \$16,394,716 generated in taxes and other revenues.

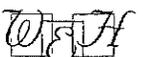
The balance of cash and investments at September 30, 2017 and 2016 were \$6,774,117 and \$7,279,980 respectively. The majority of the cash balance decrease is due to spending on capital projects for the new Police & Fire Department Buildings and a new packer for the Garbage Landfill.

Expenditures

Total fund expenditures for the year ending September 30, 2017 and September 30, 2016 are as follows:

| <u>Fund</u> | <i>Expenditures</i> | | |
|-----------------------|----------------------|----------------------|-------------------|
| | <u>2016 – 2017</u> | <u>2015 – 2016</u> | <u>Change</u> |
| General Fund | \$ 6,536,809 | \$ 5,845,605 | \$ 691,204 |
| Proprietary Funds | 10,630,597 | 10,459,145 | 171,452 |
| Internal Service Fund | 19,579 | 366,396 | (346,817) |
| Governmental Funds | <u>133,875</u> | <u>130,045</u> | <u>3,830</u> |
| Total | <u>\$ 17,320,860</u> | <u>\$ 16,801,191</u> | <u>\$ 519,669</u> |

The General Fund decreased primarily due to higher expenditures related to the police department. Proprietary Fund expenditures are up due to completion of water & sewer extensions. The Internal Service Fund decreased due to the dissolution of the self-funded insurance plan. 2017 expenditures under Other Governmental Funds increased primarily through increased funding of community events.



Revenues

The City's Internal Service Fund revenues were down for the year ending September 30, 2017 when compared with the year ending September 30, 2016 due to the dissolution of the self-funded insurance plan. The decrease in revenues in Other Governmental Funds is related to decreased hotel – motel tax collections. Year-end revenue totals are as follows:

| <u>Fund</u> | <u>Revenues</u> | | |
|--------------------------|----------------------|----------------------|------------------|
| | <u>2016 – 2017</u> | <u>2015 – 2016</u> | <u>Change</u> |
| General Fund | \$ 3,372,567 | \$ 3,285,564 | \$ 87,003 |
| Proprietary Funds | 12,938,387 | 12,894,605 | 43,782 |
| Internal Service Fund | 0 | 361,545 | (361,545) |
| Other Governmental Funds | <u>482,919</u> | <u>184,518</u> | <u>298,401</u> |
| Total | <u>\$ 16,793,873</u> | <u>\$ 16,726,232</u> | <u>\$ 67,641</u> |

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a longer term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.

Reporting the City as a Whole

Government-Wide Financial Statements

The analysis of the City's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the City is better or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the city's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's infrastructure, its property tax base and the condition of the city's facilities.

In the Statement of Net Position and the Statement of Activities, the City is reporting its governmental activities units as defined in the GASB Statement No. 34.

The government-wide financial statements include not only the City itself (known as the primary government), but also a component unit, Brownfield Industrial Development Corporation. Financial information for the component unit is reported separately from the financial information presented for the primary government. Complete financial statements for the component unit are available at the City's offices upon request.

Reporting the City's Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Laws and contracts require the City to establish some funds. The City's administration establishes many other funds to help it control and manage money for particular purposes. The City's two fund types – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the City's basic services are included in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules, following the fund financials statements.
- Proprietary funds– the City's business activities such as power and light, water sales and sewer services, and sanitation are included in proprietary funds. The statements provide the same type of information found in the government-wide financial statements, but in more detail.

Government-Wide Analysis

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental activities and business-type activities.

Changes in Net Position

Net position of the City's governmental and business-type activities decreased from \$23,911,174 to \$ 23,408,207. The City's total revenues increased from \$16,361,388 in 2016 to \$16,394,716 in 2017, an increase of \$33,328. Expenses are up due to the increased completion costs in the Water & Sewer Fund and additional CRWMA expense.

Fund Balances

The City's total Governmental Funds fund balance at September 30, 2016 and 2017 was 1,161,793 and 2,245,566 respectively. This fund balance is reported in the General Fund and other Non-Major Governmental Funds.

Budgetary Highlights

No budget amendments were made during the year ended September 30, 2017

Below is the government-wide condensed financial statement information from fiscal year 2016-2017:

TABLE I
CITY OF BROWNFIELD, TEXAS
NET POSITION

| | SEPTEMBER 30, 2016 | SEPTEMBER 30, 2017 |
|--------------------------------------|----------------------|----------------------|
| Current and Other Assets | \$ 8,338,845 | \$ 7,866,740 |
| Capital Assets | 21,276,128 | 20,468,762 |
| Deferred Outflows | 1,558,146 | 1,901,347 |
| Total Assets | <u>31,173,119</u> | <u>30,236,849</u> |
| Current Liabilities | 1,978,148 | 1,976,135 |
| Long-Term Liabilities | 5,350,760 | 5,819,354 |
| Deferred Inflows | 436,004 | 442,692 |
| Total Liabilities & Deferred Inflows | <u>7,764,912</u> | <u>8,238,181</u> |
| Net Assets: | | |
| Invested in Capital Assets | | |
| Net of Related Debt | 17,188,329 | 16,348,711 |
| Nonspendable/Restricted | 1,911,030 | 1,207,812 |
| Unrestricted | 4,674,347 | 4,344,714 |
| Prior Period Adjustment | (365,499) | 0 |
| Total Net Position | <u>\$ 23,408,207</u> | <u>\$ 21,901,237</u> |

TABLE II
CITY OF BROWNFIELD, TEXAS
CHANGES IN NET POSITION

| | SEPTEMBER 30, 2016 | SEPTEMBER 30, 2017 |
|-------------------------------------|----------------------|----------------------|
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services | \$ 13,260,543 | \$ 13,238,173 |
| Operating Grants and Contributions | 562,187 | 562,187 |
| General Revenues: | | |
| Property Taxes | 1,217,734 | 1,318,384 |
| Other Taxes | 1,250,455 | 1,122,704 |
| Investment Earnings | 23,674 | 37,941 |
| Miscellaneous | 80,123 | 144,646 |
| Total Revenue | <u>16,394,716</u> | <u>16,424,035</u> |
| Expenses: | | |
| Primary Government: | | |
| Administration | 1,126,856 | 1,131,551 |
| Municipal Court | 226,536 | 179,982 |
| Police | 1,975,539 | 1,866,107 |
| Fire | 715,819 | 770,344 |
| Street | 1,220,034 | 951,008 |
| Code Inspection | 122,165 | 97,196 |
| Public Services | 195,804 | 159,943 |
| Park and Recreation | 805,412 | 626,078 |
| All Other | 205,554 | 89,200 |
| Business-Type Activities: | | |
| Power and Light | 5,864,356 | 6,403,902 |
| Water and Sewer | 2,954,175 | 2,585,701 |
| Sanitation | 1,435,532 | 1,440,836 |
| Detention Center | 205,082 | 200,158 |
| Total Expenses | <u>17,052,864</u> | <u>16,502,006</u> |
| Increase (Decrease) in Net Position | (104,886) | (77,971) |
| Net Position at October 1 | 24,066,355 | 23,408,207 |
| Net Position at September 30 | <u>\$ 24,071,615</u> | <u>\$ 23,330,236</u> |

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had \$20,367,348 of capital assets, net of accumulated depreciation. Note 5 of the Notes to the Financial Statements discloses the capital asset activity of the City for the fiscal year ending September 30, 2017. Note 6 discloses the total amount invested in water facilities.

Debt

At the end of 2017, the City had \$7,744,156 of total debt outstanding, of which \$344,525 of this is due within one year. Notes 6 through 8 of the Notes to the Financial Statements discloses the debt activity of the City for the fiscal year ending September 30, 2017.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending September 30, 2018, the City's budget is fairly consistent with this year. It is anticipated that the current farming activities coupled with the increased oil field activity will continue to stimulate the local economy for at least the short term.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Brownfield City Manager, 201 W. Broadway, Brownfield, Texas 79316-4429.

CITY OF BROWNFIELD, TEXAS
GOVERNMENT WIDE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

| | Primary Government | | | Component Unit |
|---|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 2,183,144 | \$ 4,661,758 | \$ 6,844,902 | \$ 1,491,297 |
| Receivables (net) | 287,748 | 568,587 | 856,335 | 145,755 |
| Inventory | 41,395 | 124,108 | 165,503 | |
| Inventory - Land | | | | 826,295 |
| Capital Assets (Net of Depreciation) | | | | |
| Land | 605,084 | 543,163 | 1,148,247 | |
| Depreciable Assets, Net of Depreciation | 7,729,404 | 7,843,485 | 15,572,889 | |
| Investment in Water Facilities, Net of Amortization | | 3,713,676 | 3,713,676 | |
| Total Assets | <u>\$ 10,846,775</u> | <u>\$ 17,454,777</u> | <u>\$ 28,301,552</u> | <u>\$ 2,463,347</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflows - Pension | <u>\$ 315,144</u> | <u>\$ 866,033</u> | <u>\$ 1,181,177</u> | <u>\$ 38,104</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u><u>\$ 11,161,919</u></u> | <u><u>\$ 18,320,810</u></u> | <u><u>\$ 29,482,729</u></u> | <u><u>\$ 2,501,451</u></u> |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 204,786 | \$ 577,826 | \$ 782,612 | \$ 363,882 |
| Deposits | | 848,998 | 848,998 | |
| Due within One Year | | 344,525 | 344,525 | |
| Noncurrent Liabilities | | | | |
| Due in More Than One Year | | 3,399,631 | 3,399,631 | |
| Pension Liability | 726,248 | 695,866 | 1,422,114 | 31,543 |
| Closure/Post Closure Landfill Obligation | | 331,539 | 331,539 | |
| Total Liabilities | <u>\$ 931,034</u> | <u>\$ 6,198,385</u> | <u>\$ 7,129,419</u> | <u>\$ 395,425</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows - Pension | <u>\$ 333,035</u> | <u>\$ 152,988</u> | <u>\$ 486,023</u> | <u>\$ 10,662</u> |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ 8,334,488 | \$ 8,014,223 | \$ 16,348,711 | \$ 2,095,364 |
| Restricted For: | | | | |
| Restricted | 768,938 | 438,874 | 1,207,812 | |
| Economic Development | | | | |
| Unrestricted | 794,424 | 3,516,340 | 4,310,764 | |
| TOTAL NET POSITION | <u><u>\$ 9,897,850</u></u> | <u><u>\$ 11,969,437</u></u> | <u><u>\$ 21,867,287</u></u> | <u><u>\$ 2,095,364</u></u> |

See the accompanying notes to the financial statements.

CITY OF BROWNFIELD, TEXAS
 GOVERNMENT WIDE
 STATEMENT OF ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2017

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Units |
|---|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary Government | | | | | | | | |
| Governmental activities | | | | | | | | |
| Financial administration | \$ 219,603 | \$ 0 | \$ 0 | \$ 0 | (219,603) | \$ | (219,603) | \$ 0 |
| Judicial and Legal | 179,918 | 97,221 | 0 | 0 | (82,697) | | (82,697) | 0 |
| Central Administration | 908,056 | 0 | 0 | 0 | (908,056) | | (908,056) | 0 |
| Street and highways | 1,223,466 | 0 | 0 | 0 | (1,223,466) | | (1,223,466) | 0 |
| Public safety - police | 2,033,344 | 0 | 0 | 0 | (2,033,344) | | (2,033,344) | 0 |
| Public safety - fire | 791,519 | 0 | 250,000 | 0 | (541,519) | | (541,519) | 0 |
| Public safety - inspection and civil defense | 89,657 | 0 | 12,187 | 0 | (77,470) | | (77,470) | 0 |
| Public services | 159,943 | 90,106 | 0 | 0 | (69,837) | | (69,837) | 0 |
| Parks and Recreation | 866,694 | 97,504 | 300,000 | 0 | (469,190) | | (469,190) | 0 |
| All Other | 94,306 | 14,955 | 0 | 0 | (79,351) | | (79,351) | 0 |
| Total governmental activities | \$ 6,566,506 | \$ 299,786 | \$ 562,187 | \$ 0 | (5,704,533) | \$ | (5,704,533) | \$ 0 |
| Business-type activities: | | | | | | | | |
| Power & light | \$ 6,403,902 | \$ 8,576,081 | \$ 0 | \$ 0 | \$ 0 | \$ 2,172,179 | \$ 2,172,179 | \$ 0 |
| Water & sewer | 2,585,701 | 2,666,093 | 0 | 0 | 0 | 80,392 | 80,392 | 0 |
| Sanitation | 1,440,836 | 1,525,458 | 0 | 0 | 0 | 84,622 | 84,622 | 0 |
| Intermediate Sanction Facility | 200,158 | 170,755 | 0 | 0 | 0 | (29,403) | (29,403) | 0 |
| Interest Expense | 0 | (186,997) | 0 | 0 | 0 | (186,997) | (186,997) | 0 |
| Total business-type activities | \$ 10,630,597 | \$ 12,938,387 | \$ 0 | \$ 0 | \$ 0 | \$ 2,120,793 | \$ 2,120,793 | \$ 0 |
| Total Primary Government | \$ 17,197,103 | \$ 13,238,173 | \$ 562,187 | \$ 0 | (5,704,533) | \$ | (3,583,740) | \$ 0 |
| Component Unit: | | | | | | | | |
| Brownfield Industrial Development Corporation | \$ 947,877 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 947,877 |
| General Revenues: | | | | | | | | |
| Property Taxes, levied for general purposes | | | | | \$ 1,318,384 | \$ 0 | \$ 1,318,384 | \$ 0 |
| Sales, franchise and other taxes | | | | | 1,122,704 | 0 | 1,122,704 | 493,118 |
| Investment Earnings | | | | | 1,041 | 37,941 | 38,982 | 19,374 |
| Miscellaneous | | | | | 144,646 | | 144,646 | 5,375 |
| Transfers (net) | | | | | 4,933,650 | (4,933,650) | 0 | 0 |
| Total general revenues, special items, and transfers | | | | | \$ 7,520,425 | \$ (4,895,709) | \$ 2,624,716 | \$ 517,867 |
| Change in Net Position | | | | | \$ 1,815,892 | \$ (2,774,916) | \$ (959,024) | \$ (430,010) |
| Net Position - Beginning | | | | | 9,346,027 | 14,744,353 | 24,090,380 | 2,525,374 |
| Net Position - Ending | | | | | \$ 11,161,919 | \$ 11,969,437 | \$ 23,131,356 | \$ 2,095,364 |

See the accompanying notes to the financial statements.

CITY OF BROWNFIELD, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

| | Major | Non-Major | Total |
|---|-------------------|---------------------|---------------------|
| | General Fund | All Other Funds | Government Funds |
| Assets: | | | |
| Cash & Cash Equivalents | \$ 504,353 | \$ | 504,353 |
| Cash in Bank Restricted | | 1,678,791 | 1,678,791 |
| Receivables, Net of Allowance | 225,225 | 62,523 | 287,748 |
| Inventory | 41,395 | | 41,395 |
| Total Assets | <u>770,973</u> | <u>1,741,314</u> | <u>2,512,287</u> |
| Liabilities | | | |
| Accounts Payable | 63,015 | 219 | 63,234 |
| Accrued Expenditures | 138,512 | | 138,512 |
| Total Liabilities | <u>201,527</u> | <u>219</u> | <u>201,746</u> |
| Deferred Inflows of Resources: | | | |
| Unavailable Revenue - Property Taxes | 64,975 | | 64,975 |
| Total Deferred Inflows | <u>64,975</u> | | <u>64,975</u> |
| FUND BALANCES: | | | |
| Nonspendable | | | |
| Inventory | 41,396 | | 41,396 |
| Restricted for: | | | |
| Enabling Legislation | | 828,299 | 828,299 |
| Committed: | | | |
| Parks & Recreation | | | 0 |
| Unassigned | 463,075 | 912,796 | 1,375,871 |
| Total Fund Balances | <u>504,471</u> | <u>1,741,095</u> | <u>2,245,566</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 770,973</u> | <u>\$ 1,741,314</u> | <u>\$ 2,512,287</u> |

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

CITY OF BROWNFIELD, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2017

| | | |
|---|----|------------|
| Total Fund Balances - Government Funds | \$ | 2,245,566 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| 1. Capital Assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. (Net of accumulated depreciation) | | 8,233,075 |
| 2. Internal Service Funds are reported in governmental activities but not in governmental funds. | | 187,685 |
| 3. Deferred inflows are reported in governmental activities but not in governmental funds. | | (37,450) |
| 4 Pension Liability, Deferred Outflows & Inflows reported in governmental activities, but not in governmental funds. | | 203,744 |
| | | _____ |
| Net Position of Governmental Activities | \$ | 10,832,620 |

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

CITY OF BROWNFIELD, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | <u>General</u> | <u>All Other Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------|---|
| Revenues | | | |
| Property Taxes | \$ 1,272,061 | | 1,272,061 |
| Other Taxes | 1,122,932 | 186,425 | 1,309,357 |
| Fees and Fines | 485,707 | 38,854 | 524,561 |
| Intergovernmental | 250,000 | | 250,000 |
| Investment earnings | 1,041 | 6,224 | 7,265 |
| Miscellaneous | 240,826 | 251,416 | 492,242 |
| Total Revenues | <u>3,372,567</u> | <u>482,919</u> | <u>3,855,486</u> |
| Expenditures | | | |
| Current: | | | |
| Financial Administration | 228,364 | | 228,364 |
| Judicial and Legal | 179,982 | | 179,982 |
| Central Administration | 903,187 | | 903,187 |
| Street and Highways | 1,025,118 | | 1,025,118 |
| Public Safety - Police | 1,999,656 | | 1,999,656 |
| Public Safety - Fire | 1,107,980 | | 1,107,980 |
| Emergency Management | 97,196 | | 97,196 |
| Public Services | 159,943 | | 159,943 |
| Parks and Recreation | 746,183 | | 746,183 |
| Public Safety - Inspection and Civil | 89,200 | | 89,200 |
| Supplies & Maintenance | | | 0 |
| Seized Drug Fund | | 8,387 | 8,387 |
| Hotel-Motel Fund | | 125,488 | 125,488 |
| Total Expenditures before Capital Outlay | <u>6,536,809</u> | <u>133,875</u> | <u>6,670,684</u> |
| Capital Outlay | 665,400 | 0 | 665,400 |
| Total Expenditures and Capital Outlay | <u>7,202,209</u> | <u>133,875</u> | <u>7,336,084</u> |
| Excess(deficiency) of revenues over expenditures | <u>(3,829,642)</u> | <u>349,044</u> | <u>(3,480,598)</u> |
| Other Financing Sources(Uses) | | | |
| Transfers In | 3,408,083 | 501,584 | 3,909,667 |
| Transfers Out | | | |
| Total Other Financing Sources(Uses) | <u>3,408,083</u> | <u>501,584</u> | <u>3,909,667</u> |
| Net Changes in Fund Balances(Unrestricted) | (421,559) | 850,628 | 429,069 |
| Fund Balances Beginning | 264,273 | 890,467 | 1,154,740 |
| Fund Balances Ending | <u>\$ (157,286)</u> | <u>\$ 1,741,095</u> | <u>\$ 1,583,809</u> |

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

CITY OF BROWNFIELD, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | |
|---|-------------------|
| Net Change in Fund Balances - Total Government Funds | \$ 1,094,469 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| 1. Depreciation is recorded in the statement of activities as an expense but not in governmental funds. | (744,125) |
| 2. Governmental funds report capital outlay as expenditures. However, the statement of activities reports these as assets that are depreciated over their useful lives. | 642,712 |
| 3. Net change in activities related to internal service funds is included in governmental activities. | (18,561) |
| 4. Deferred revenue is not recorded in the statements of net position, thus the change is excluded in activities. | 1,061 |
| 5. Pension expense reported in the statement of net position is less than pension contributions reported in governmental funds. | <u>(11,047)</u> |
| Change in Net Position of Governmental Activities | \$ <u>964,509</u> |

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

CITY OF BROWNFIELD, TEXAS
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2017

| | Power and Light Funds | Water and Sewer Funds | Sanitation Fund | Detention Facility Fund | Total Enterprise Funds | Internal Service Funds |
|--|-----------------------------|-----------------------------|---------------------|-------------------------------|------------------------------|------------------------------|
| ASSETS | | | | | | |
| Cash in Bank | \$ 1,007,729 | \$ 262,505 | \$ 80,627 | \$ | \$ 1,350,861 | \$ 187,685 |
| Cash in Savings | 3,129,144 | 90,806 | 90,947 | | 3,310,897 | |
| Receivables | | | | | | |
| Accounts and Rents | | | | | | |
| Inventories | 385,953 | 127,582 | 55,052 | | 568,587 | |
| Capital Assets (Net of Accumulated Depreciation) | 85,531 | 38,577 | | | 124,108 | |
| Land | | | | | | |
| Depreciable Assets, Net of Depreciation | 15,697 | 390,679 | 136,787 | | 543,163 | |
| Investment in Water Facilities, Net of Amortization | 947,711 | 4,370,974 | 1,708,942 | 815,858 | 7,843,485 | |
| Total Assets | <u>5,571,765</u> | <u>8,994,799</u> | <u>2,072,355</u> | <u>815,858</u> | <u>17,454,777</u> | <u>187,685</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred Outflows - Pension | 230,812 | 237,939 | 397,282 | | 866,033 | |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$ 5,802,577</u> | <u>\$ 9,232,738</u> | <u>\$ 2,469,637</u> | <u>\$ 815,858</u> | <u>\$ 18,320,810</u> | <u>\$ 187,685</u> |
| LIABILITIES AND NET POSITION | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | 450,449 | 53,030 | 8,483 | | 511,962 | |
| Accrued Expenses | 20,432 | 15,459 | 29,973 | | 65,864 | |
| Deposits | 848,998 | | | | 848,998 | |
| Bond due within One Year | | 344,525 | | | 344,525 | |
| Noncurrent Liabilities | | | | | | |
| Bond Premium | | 110,440 | | | 110,440 | |
| Bonds due in More Than One Year | | 3,289,191 | | | 3,289,191 | |
| Landfill Closure Liability | | | | | | |
| Pension Liability | 185,528 | 191,253 | 331,539 | | 331,539 | |
| Total Liabilities | <u>1,505,407</u> | <u>4,003,898</u> | <u>689,080</u> | <u>0</u> | <u>6,198,385</u> | <u>0</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred Inflows - Pension | 42,596 | 43,895 | 66,497 | 0 | 152,988 | 0 |
| Net position | | | | | | |
| Net Invested in Capital Assets | | | | | | |
| Net of Related Debt | 947,712 | 4,404,924 | 1,851,546 | 815,858 | 8,020,040 | 187,685 |
| Restricted | 4,527 | 102,808 | 331,539 | | 438,874 | |
| Unrestricted | 3,302,335 | 677,213 | (469,025) | | 3,510,523 | |
| Total Net Position | <u>4,254,574</u> | <u>5,184,945</u> | <u>1,714,060</u> | <u>815,858</u> | <u>11,969,437</u> | <u>187,685</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS, NET POSITION | <u>\$ 5,802,577</u> | <u>\$ 9,232,738</u> | <u>\$ 2,469,637</u> | <u>\$ 815,858</u> | <u>\$ 18,320,810</u> | <u>\$ 187,685</u> |

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

CITY OF BROWNFIELD, TEXAS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Major | | Non-Major | Total | Internal | |
|---|---------------------|---------------------|---------------------|-------------------------|----------------------|-------------------|
| | Power & Light Funds | Water & Sewer Funds | Sanitation Fund | Detention Facility Fund | Enterprise Funds | Service Fund |
| OPERATING REVENUES | | | | | | |
| Charges for Services | \$ 8,120,666 | \$ 2,642,082 | \$ 1,507,140 | \$ | \$ 12,269,878 | \$ |
| Penalties | 14,176 | 4,745 | 2,063 | | 20,984 | |
| License and Permits | 4,758 | 19,983 | | 170,755 | 24,741 | |
| Rents | 75,881 | | | | 246,636 | |
| Sales Tax Collected | 357,362 | | | | 357,362 | |
| Miscellaneous and Other Revenues | 3,248 | (717) | 16,255 | | 18,786 | |
| Total Revenues | 8,576,081 | 2,666,093 | 1,525,458 | 170,755 | 12,938,387 | 0 |
| OPERATING EXPENSES | | | | | | |
| Personnel Services | 549,346 | 497,347 | 916,929 | | 1,963,622 | |
| Supplies & Materials | 182,962 | 247,820 | 79,662 | | 510,444 | |
| Contractual Purchases | 4,983,622 | 875,234 | | | 5,858,856 | |
| Maintenance | 14,930 | 10,647 | 61,410 | | 86,987 | |
| Other Operating Costs | 502,481 | 197,201 | 89,022 | | 788,704 | 19,579 |
| Amortization of Water Rights | | 374,123 | | | 374,123 | |
| Depreciation | 170,561 | 383,329 | 276,244 | 200,158 | 1,030,292 | |
| Landfill Closure Cost Amortization | | | 17,569 | | 17,569 | |
| Total Operation Expenses | 6,403,902 | 2,585,701 | 1,440,836 | 200,158 | 10,630,597 | 19,579 |
| Total Operation Income(Loss) | 2,172,179 | 80,392 | 84,622 | (29,403) | 2,307,790 | (19,579) |
| NONOPERATING REVENUES (EXPENSE) | | | | | | |
| Interest Income | 35,859 | 1,041 | 1,041 | 0 | 37,941 | 1,018 |
| Interest Expense | 0 | (186,997) | 0 | 0 | (186,997) | 0 |
| Total Nonoperating Revenues (Expenses) | 35,859 | (185,956) | 1,041 | 0 | (149,056) | 1,018 |
| Income Before Operating Transfers | 2,208,038 | (185,956) | 1,041 | 0 | (149,056) | 1,018 |
| OPERATING TRANSFERS | | | | | | |
| Operating Transfers In | | 27,139 | | | 27,139 | |
| Operating Transfers Out | (3,163,868) | (100,000) | (79,215) | (598,433) | (3,941,516) | |
| Change in Net Position | (955,830) | (178,425) | 6,448 | (627,836) | (1,755,643) | (18,561) |
| TOTAL NET POSITION - BEGINNING | 5,210,403 | 5,363,370 | 1,707,612 | 1,443,694 | 13,725,079 | 206,246 |
| TOTAL NET POSITION - ENDING | \$ 4,254,573 | \$ 5,184,945 | \$ 1,714,060 | \$ 815,858 | \$ 11,969,436 | \$ 187,685 |

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

CITY OF BROWNFIELD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT A-3.3

| | Major | | Non-Major | | Total Enterprise Funds | Internal Service Fund |
|--|---------------------------|---------------------------|--------------------|-----------------------|------------------------------|-----------------------------|
| | Power & Light Funds | Water & Sewer Funds | Sanitation Fund | Detention Facility | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from Customers | \$ 8,203,348 | \$ 2,677,111 | \$ 1,509,203 | \$ 190,382 | \$ 12,580,044 | \$ |
| Payments to Suppliers | (5,192,050) | (1,157,603) | (141,073) | | (6,490,726) | |
| Payments to Employees | (568,652) | (514,366) | (948,394) | | (2,031,412) | |
| Other payments | (502,796) | (197,201) | (91,040) | | (791,037) | (19,579) |
| Other receipts | 436,491 | 4,028 | 16,255 | | 456,774 | |
| Net Cash Provided (Used) by Operating Activities | \$ 2,376,341 | \$ 811,969 | \$ 344,951 | \$ 190,382 | \$ 3,723,643 | \$ (19,579) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Customer Deposits | \$ 20,845 | \$ | \$ | \$ | \$ 20,845 | \$ |
| Pension Liabilities | (3,163,868) | (72,861) | (79,215) | (598,433) | (3,914,377) | |
| Transfers from and (to) other funds-net | (3,143,023) | (72,861) | (79,215) | (598,433) | (3,893,532) | 0 |
| Net Cash provided (Used) by financing activities | \$ (28,904) | \$ (124,243) | \$ (443,873) | \$ | \$ (597,020) | \$ |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Purchase of capital assets | (28,904) | (343,543) | | | (343,543) | |
| Payment on CRMWA Note Contracts | (28,904) | (467,786) | (443,873) | 0 | (940,563) | 0 |
| Net Cash Provided(used) by Capital and Related Financing Activities | \$ 35,859 | \$ (185,956) | \$ 1,041 | \$ | \$ (149,056) | \$ 1,018 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Interest Income(Expense) Net | \$ 35,859 | \$ (185,956) | \$ 1,041 | \$ | \$ (149,056) | \$ 1,018 |
| Net Cash provided by Investing Activities | \$ (759,727) | \$ 85,366 | \$ (177,096) | \$ (408,051) | \$ (1,259,508) | \$ (18,561) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | | |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | \$ 4,896,600 | \$ 197,160 | \$ 348,670 | \$ 408,051 | \$ 5,850,481 | \$ 206,246 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 4,136,873 | \$ 282,526 | \$ 171,574 | \$ 0 | \$ 4,590,973 | \$ 187,685 |
| RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES | | | | | | |
| Operating income(loss) | \$ 2,154,372 | \$ 62,021 | \$ 53,156 | \$ (29,403) | \$ 2,240,146 | \$ (19,579) |
| Adjustments to reconcile operations to net cash provided by operating activities | | | | | | |
| Depreciation | 170,561 | 383,329 | 276,244 | 200,158 | 1,030,292 | |
| Amortization | | 374,123 | | | 374,123 | |
| Landfill Closure Expense | | | 17,569 | | 17,569 | |
| Accrued Payroll/Vacation & Sick Leave | (1,499) | 1,352 | 4,397 | | 4,250 | |
| Change in assets and liabilities: | | | | | | |
| Receivables, net | 63,758 | 15,046 | 2,723 | 19,627 | 101,154 | |
| Prepaid Interest | | | | | 0 | |
| Inventories | (16,537) | 3,430 | | | (13,107) | |
| Accounts and other payables | 5,686 | (27,332) | (9,138) | | (30,784) | |
| Pension - Deferred Outflows | | | | | | |
| Net cash provided (Used) by operating activities | \$ 2,376,341 | \$ 811,969 | \$ 344,951 | \$ 190,382 | \$ 3,723,643 | \$ (19,579) |

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

CITY OF BROWNFIELD, TEXAS
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2017
 SCHOLARSHIP FUND

| | |
|----------------------|------------------|
| Assets | \$ 30,549 |
| Cash in Bank | |
| | <u>\$ 30,549</u> |
| Total Assets | |
| Liabilities | |
| Current | \$ 28,098 |
| Scholarships Payable | |
| | <u>\$ 28,098</u> |
| Total Liabilities | |
| Net Position | \$ 2,451 |
| Restricted | |
| | <u>\$ 2,451</u> |
| Total Net Postion | |

The accompanying notes are an integral part of financial statements.

CITY OF BROWNFIELD, TEXAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

SCHOLARSHIP FUND

| | |
|---------------------------------|------------------------|
| Additions: | |
| Contributions: | \$ 0 |
| Total contributions | <u>\$ 0</u> |
| Investment earnings: | |
| Interest | \$ 0 |
| Total investment earnings | <u>\$ 0</u> |
| Total additions | <u>\$ 0</u> |
| (Under) Expenditures | |
| Deductions | |
| Scholarships | \$ 1,000 |
| Total deductions | <u>\$ 1,000</u> |
| Change in net assets | \$ (1,000) |
| Net Position, Beginning of Year | <u>3,451</u> |
| Net Position, End of Year | <u><u>\$ 2,451</u></u> |

The accompanying notes are an integral part of financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

PRIMARY GOVERNMENT

The City of Brownfield was incorporated in 1921. The City operates under Council-Manager form of government and provides services, as authorized by its charter, which includes but are not limited to the following: streets, police and fire protection, public improvements, electrical power, water and sewer, sanitation and general administrative services.

The City of Brownfield, Texas' (the City) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the city are discussed below.

These financial statements present the City (the primary government). As defined by GASB No. 61, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City.

COMPONENT UNIT

The Brownfield Industrial Development Corporation (BID CORP) was formed and incorporated in February 1990, as a component unit of the City. BID CORP's declared mission is to provide for the promotion and development of presently existing businesses and the aggressive pursuit of new businesses and industry for the City. The mission includes offering an environment conducive for industrial growth, and making the City known as a location that business and industry seeks.

Industrial development corporations are authorized by the provisions of Vernon's Texas Civil Statutes, Article 5190.6, Section 4A as amended.

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

BID CORP is managed by its own Board of Directors but is accountable to the Brownfield City Council which hold the oversight authority over BID CORP. BID CORP derives its major funding from an "additional one-half of one percent sales tax" that is collected within the City for that purpose.

Complete financial statements for BID CORP may be obtained from:

Brownfield Industrial Development Corporation
201 W. Broadway
Brownfield, Texas 79316

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's general fund and other funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks, library and recreation, City's power and light, water and sewer, garbage services and detention center facility are classified as business-type activities.

In the government-wide Statement of Net Position, the governmental activities, business-type activities, and component unit (a) are presented by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets, restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, streets and public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, streets and public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

The net costs (by function) are normally covered by general revenue (property, sales or franchise taxes, intergovernmental revenues, interest income, etc.)

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories.

Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

Major Funds:

General Fund – This governmental fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

Non-Major Funds:

Capital Projects Fund – This governmental fund is established to account for funds received and expended for capital projects.

Municipal Court Security Fund – This fund focuses on expenditures intended to enhance security in the Municipal Court area.

Hamilton Park Fund – This fund commits expenditures to costs related to operating and improving Hamilton Park.

Seized Drug Fund – Resources for this fund are obtained as the result of drug related asset seizures and used to enhance police activities.

Hotel/Motel Fund – This fund was established with an additional tax applied to hotel and motel daily rentals and is used to directly promote tourism and the convention and hotel industry.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City;

Major Funds:

Power and Light Fund – This fund accounts for the revenues and expenses associated with providing electricity service to the citizens of the City.

Water and Sewer Fund - This fund accounts for the revenues and expenses associated with providing water and sewer service to the citizens of the City.

Sanitation Fund – This fund accounts for the revenues and expenses associated with providing sanitation service to the citizens of the City.

Non-Major Fund:

Detention Facility – This fund accounts for the rents received for leasing out the City's detention facility.

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

Internal Service Fund – This fund is used to account for services provided by and activity to other departments, funds or component units of the City on a cost-reimbursement basis. Specifically this fund was used to account for the City's self-managed health insurance plan. Although it is not presently utilized, the fund still has a fund balance.

A proprietary fund is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, to be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Fund – Scholarship Fund:

Scholarship Fund – This fund accounts for cash held by the City for providing scholarships to school aged children.

Fiduciary Funds, which include funds held by City offices, also are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other government, and/or other funds. These include Agency Funds, Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for Fiduciary Funds.

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Position.

Fund Balances:

The City follows GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Non-spendable Fund Balance-includes the portion of net resources that cannot be spent because of their form (i.e. inventory, long-term loans, or repairs) or because they must remain in-tact such as the principal of an endowment.

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

Restricted Fund Balance-includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purpose stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislations. Examples include grant awards and bond proceeds.

Committed Fund Balance – includes the portion of net resources upon which the City Council has imposed limitations on use and those amounts can only be used for the specific purpose determined by a formal action of the City Council. Commitments may be changed or lifted only by the Council taking the same formal action that originally imposed the constraint. The formal action must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.

Assigned Fund Balance- includes the portion of net resources for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. Assignments of fund balance are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.

Unassigned Fund Balance – includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund and includes all amounts not contained in other classification. Unassigned amounts are technically available for any purpose. Negative residual +amounts for all other governmental funds are reported in this classification.

Fund Balance Policy

Committed Fund Balance-The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at the City's Council meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period (i.e. the Council may approve the calculation or formula for determining the amount to be committed).

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

Assigned Fund Balance- the City Council authorizes the City manager as the City Official responsible for the assignment of fund balance to a specific purpose as approved by this fund balance policy.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/ expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities and discretely presented component units in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

Assigned Fund Balance- the City Council authorizes the City manager as the City Official responsible for the assignment of fund balance to a specific purpose as approved by this fund balance policy.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/ expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities and discretely presented component units in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash equivalents:

The primary government (City) and component unit (BID CORP) have defined cash and cash equivalents. Cash equivalents "with an original maturity of three months or less."

2. Investments: For the current year, the city has no investments.

3. Capital Assets:

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Governmental Activities/Business Type Activities:

| | |
|-------------------------|--------------|
| Buildings | 20-50 years |
| Power and Light System | 10-30- years |
| Water and Sewer System | 10-30 years |
| Machinery and Equipment | 5-10 years |
| Improvements | 10-20 years |

4. Revenues:

Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

5. Expenditures:

Expenditures are recognized when the related fund liability is incurred.

6. Compensated Absences:

Unused vacation is accumulated and an employee can carry over a maximum of two weeks of accumulated leave. Employees with one to nine years of service earn 2 weeks of vacation per year. Employees with over nine years of service earn 3 weeks of vacation per year. Unused vacation is paid out upon separation from the City unless employed for less than one year.

Employees who retire from City service are not paid for unused sick leave.

7. Inter-fund Activity

Inter-fund activity is reported as advances, services provided reimbursements, or transfers. Advances are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

8. Encumbrances:

The City does not utilize an encumbrance accounting system. At year-end, the City reviews commitments to determine amounts encumbered. At September 30, 2017, there were no material commitments to be indicated by a reserve in the general fund balance.

9. Inventory:

Inventories are recorded in both governmental funds and proprietary funds and

CITY OF BROWNFIELD

NOTES TO THE FINANCIAL STATEMENTS

4. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables and Allowance for Doubtful Accounts as of September 30, 2017

| | <u>Total Receivables</u> | <u>Estimated Uncollectible Accounts</u> | <u>Net Receivables</u> |
|-------------------------------|------------------------------|---|----------------------------|
| Government Activities: | | | |
| Ad Valorem Taxes | \$ 80,001 | \$ 12,135 | \$ 67,866 |
| Texas Comptroller - Sales Tax | 105,509 | | 105,509 |
| Franchise Taxes | 27,381 | | 27,381 |
| Hotel Occupancy Taxes | 62,523 | | 62,523 |
| | <u>275,414</u> | <u>12,135</u> | <u>263,279</u> |
| Business-Type Activities | | | |
| Power and Light | 385,953 | 48,407 | 337,546 |
| Water and Sewer | 127,582 | 16,741 | 110,841 |
| Sanitation | 55,052 | 12,593 | 42,459 |
| Detention Facility | 0 | | 0 |
| | <u>568,587</u> | <u>77,741</u> | <u>490,846</u> |
| Primary Government | <u>844,001</u> \$ | <u>89,876</u> \$ | <u>754,125</u> |

Accounts Payable as of September 30, 2017

| | <u>Total Payables</u> |
|---------------------------|---------------------------|
| Government Activities: | |
| General | 54,737 |
| Payroll Liabilities | 3,360 |
| | <u>58,097</u> |
| Business-Type Activities: | |
| General | 157,384 |
| Purchased Power | 385,363 |
| | <u>542,747</u> |
| Primary Government | <u>\$ 600,844</u> |

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Government Activities:

| | Balance 10/01/2017 | Increases | Decreases | Balance 9/30/2017 |
|--|-----------------------|------------------|-----------|----------------------|
| ASSETS | | | | |
| Land | \$ 605,084 | \$ 22,829 | | \$ 627,913 |
| Buildings and Improvements | 4,330,483 | 57,147 | | 4,387,630 |
| Equipment | 15,446,433 | 225,100 | | 15,671,533 |
| Construction In Progress - Fire Dept | 0 | 337,636 | | 337,636 |
| Infrastructure | <u>2,505,733</u> | | | <u>2,505,733</u> |
| | 22,887,733 | 642,712 | | 23,530,445 |
| ACCUMULATED DEPRECIATION | | | | |
| Buildings and Improvements | 755,353 | 256,520 | | 1,011,873 |
| Equipment | 11,973,960 | 214,539 | | 12,188,499 |
| Infrastructure | <u>1,823,932</u> | <u>273,066</u> | | <u>2,096,998</u> |
| | 14,553,245 | 744,125 | | 15,297,370 |
| Total Capital Assets, Net of Accumulated Depreciation | <u>8,334,488</u> | <u>(101,413)</u> | | <u>8,233,075</u> |

Business-Type Activities:

| | Balance 10/01/2016 | Increases | Decreases | Balance 9/30/2017 |
|--|-----------------------|---------------------|-----------|----------------------|
| ASSETS | | | | |
| Land | 543,163 | | | 543,163 |
| Buildings | 4,044,409 | | | 4,044,409 |
| Equipment | 6,740,812 | 516,183 | | 7,256,995 |
| Construction In Progress - Landfill | 0 | 48,873 | | 48,873 |
| Electric Infrastructure | 1,502,672 | | | 1,502,672 |
| Water Infrastructure | 2,440,094 | | | 2,440,094 |
| Sewer Infrastructure | <u>4,731,196</u> | <u>31,965</u> | | <u>4,763,161</u> |
| | 20,002,346 | 597,021 | | 20,599,367 |
| ACCUMULATED DEPRECIATION | | | | |
| Buildings | 3,548,048 | 147,068 | | 3,695,116 |
| Equipment | 3,478,384 | 381,065 | | 3,859,449 |
| Electric Infrastructure | 684,862 | 105,929 | | 790,791 |
| Water Infrastructure | 915,336 | 87,693 | | 1,003,029 |
| Sewer Infrastructure | <u>2,590,376</u> | <u>172,463</u> | | <u>2,762,839</u> |
| | 11,217,006 | 894,218 | | 12,111,224 |
| Total Capital Assets, Net of Accumulated Depreciation | <u>\$ 8,785,340</u> | <u>\$ (297,197)</u> | | <u>\$ 8,488,143</u> |

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Government Activities:

| | Balance 10/01/2017 | Increases | Decreases | Balance 9/30/2017 |
|--|-----------------------|------------------|-----------|----------------------|
| ASSETS | | | | |
| Land | \$ 605,084 | \$ 22,829 | \$ | \$ 627,913 |
| Buildings and Improvements | 4,330,483 | 57,147 | | 4,387,630 |
| Equipment | 15,446,433 | 225,100 | | 15,671,533 |
| Construction In Progress - Fire Dept | 0 | 337,636 | | 337,636 |
| Infrastructure | <u>2,505,733</u> | | | <u>2,505,733</u> |
| | 22,887,733 | 642,712 | | 23,530,445 |
| ACCUMULATED DEPRECIATION | | | | |
| Buildings and Improvements | 755,353 | 256,520 | | 1,011,873 |
| Equipment | 11,973,960 | 214,539 | | 12,188,499 |
| Infrastructure | <u>1,823,932</u> | <u>273,066</u> | | <u>2,096,998</u> |
| | 14,553,245 | 744,125 | | 15,297,370 |
| Total Capital Assets, Net of Accumulated Depreciation | <u>8,334,488</u> | <u>(101,413)</u> | | <u>8,233,075</u> |

Business-Type Activities:

| | Balance 10/01/2016 | Increases | Decreases | Balance 9/30/2017 |
|--|-----------------------|---------------------|-----------|----------------------|
| ASSETS | | | | |
| Land | 543,163 | | | 543,163 |
| Buildings | 4,044,409 | | | 4,044,409 |
| Equipment | 6,740,812 | 516,183 | | 7,256,995 |
| Construction In Progress - Landfill | 0 | 48,873 | | 48,873 |
| Electric Infrastructure | 1,502,672 | | | 1,502,672 |
| Water Infrastructure | 2,440,094 | | | 2,440,094 |
| Sewer Infrastructure | <u>4,731,196</u> | <u>31,965</u> | | <u>4,763,161</u> |
| | 20,002,346 | 597,021 | | 20,599,367 |
| ACCUMULATED DEPRECIATION | | | | |
| Buildings | 3,548,048 | 147,068 | | 3,695,116 |
| Equipment | 3,478,384 | 381,065 | | 3,859,449 |
| Electric Infrastructure | 684,862 | 105,929 | | 790,791 |
| Water Infrastructure | 915,336 | 87,693 | | 1,003,029 |
| Sewer Infrastructure | <u>2,590,376</u> | <u>172,463</u> | | <u>2,762,839</u> |
| | 11,217,006 | 894,218 | | 12,111,224 |
| Total Capital Assets, Net of Accumulated Depreciation | <u>\$ 8,785,340</u> | <u>\$ (297,197)</u> | <u>\$</u> | <u>\$ 8,488,143</u> |

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

6. INVESTMENT IN WATER FACILITIES

The City, along with several West Texas municipalities, entered into various contracts with Canadian River Municipal Water Authority (CRMWA), to participate in the construction and maintenance of water gathering, holding, treatment, and transmission facilities. Under the agreements, CRMWA agreed to issue revenue bonds to finance construction and maintenance of the facilities. The City essentially agreed to pay back their share of the total annual debt service requirements. Below is a schedule of debt outstanding related to the CRMWA contracts:

| Debt | Purpose | Balance 9/30/2016 | Principal Payments | Balance 9/30/2017 | Interest Paid |
|------------------------------|------------------|----------------------|-----------------------|----------------------|-------------------|
| Refunded 2010 | CUA | 69,667 | 14,670 | 54,997 | 2,449 |
| Refunded 2010 Series 2005 | BUREC | 228,541 | 79,236 | 149,305 | 7,834 |
| Refunded 2013 Series 2006 | Water Purchase | 927,737 | 26,423 | 901,314 | 46,011 |
| Series 2009 | Water Purchase | 345,058 | 20,249 | 324,809 | 15,032 |
| Series 2011 | Construction | 1,499,330 | 76,221 | 1,423,109 | 70,844 |
| Series 2014 | Water Purchase | 906,926 | 127,726 | 779,200 | 44,828 |
| | Refund 2005/2006 | 906,926 | 127,726 | 779,200 | 44,828 |
| | | <u>\$ 3,977,259</u> | <u>\$ 333,675</u> | <u>\$ 3,632,734</u> | <u>\$ 186,998</u> |

| CRMWA | |
|---|-------------------------|
| Original Cost of Water Rights | \$ 5,863,570 |
| Prior Year Accumulated Amortization | (1,775,771) |
| Current Year Amortization Expense | <u>(374,123)</u> |
| Investment in Water Facilities -- September 30, 2017 | <u>\$ 3,713,676</u> |

7. LONG-TERM DEBT AMORTIZATION

Debt service requirements on all long-term debt:

| Year Ending September 30, | Business-Type Activities | | |
|---------------------------|--------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2018 | \$ 421,372 | \$ 174,312 | \$ 595,684 |
| 2019 | 296,174 | 155,889 | 452,063 |
| 2020 | 313,964 | 141,943 | 455,907 |
| 2021 | 326,226 | 126,258 | 452,484 |
| 2022-2026 | 1,577,052 | 378,276 | 1,955,328 |
| 2027-2033 | 701,593 | 109,807 | 811,400 |
| Totals | <u>\$ 3,636,381</u> | <u>\$ 1,086,485</u> | <u>\$ 4,722,866</u> |

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

8. CLOSURE/POST CLOSURE LANDFILL OBLIGATION

State and federal laws and regulations require the City to place a final cover on its Sanitary Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$431,537 reported as landfill closure and post-closure care liability at September 30, 2017, represents the cumulative amount reported to date based on the use of 10.79% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post closure care of \$64,867 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The City has not placed funds in a trust to cover these costs, but is in compliance with financial assurance procedures as required by the Texas Commission on Environmental Quality.

9. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City of Brownfield participates as one of 872 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. All eligible employees of the City are required to participate in TMRS. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www/tmrs.com.

B. 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 payment options. Members may also choose to receive a portion of their benefit as a Partial Lump

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

| | <u>Plan Year 2016</u> | <u>Plan Year 2017</u> |
|--|------------------------------|------------------------------|
| Employee Deposit Rate | 5.00% | 5.00% |
| Matching Ratio (City to Employee) | 2 to 1 | 2 to 1 |
| Years Required for Vesting | 10 | 10 |
| Service Requirement Eligibility (Expressed as Age/Years of Service) | 60/10,0/20 | 60/10,0/20 |
| Updated Service Credit | 100% Repeating, Transfers | 100% Repeating, Transfers |
| Annuity Increase (to Retirees) | 50% of CPI | 50% of CPI |

Employees covered by benefit terms.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit items:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 44 |
| Inactive employees entitled to but not yet receiving benefits | 31 |
| Active Employees | <u>90</u> |
| | 157 |

C. Contributions

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

Employees for the City of Brownfield were required to contribute 5% of their annual gross earnings during the fiscal year. The actuarially determined contribution rates were 7.68% for calendar year 2016 and 7.68% for calendar year 2017. The contribution rates for the City of Brownfield were 15.35% and 15.35% in calendar years 201 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$560,133, and exceeded the required contributions.

D. Net Pension Liability The city's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

E. Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.0% per year |
| Investment Rate of Return | 6.75 net of pension plan investment expense, including Inflation. |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP200 Combined Healthy Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rates is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|-------------------|--|
| Domestic Equity | 17.5% | 4.55% |
| International Equity | 17.5% | 6.35% |
| Core Fixed Income | 10.0% | 1.00% |
| Non-Core Fixed Income | 20.0% | 4.15% |
| Real Return | 10.0% | 4.15% |
| Real Estate | 10.0% | 4.75% |
| Absolute Return | 10.0% | 4.00% |
| Private Equity | 5.0% | 7.75% |
| Total | 100.0% | |

F. 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|------------------------------|--|-----------------------------|--|
| City's net pension liability | \$2,984,423 | \$677,721 | (\$1,228,640) |

NOTES TO FINANCIAL STATEMENTS
CITY OF BROWNFIELD, TEXAS

| <i>Changes in the Net Pension Liability</i> | Increase (Decrease) | | |
|---|--------------------------------|--|---------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
| Balance at 12/31/2015 | \$ 17,703,897 | \$ 16,382,484 | \$ 1,321,413 |
| Changes for the year: | | | |
| Service costs | 395,284 | | 395,284 |
| Interest | 1,168,322 | | 1,168,322 |
| Change of benefit terms | | | |
| Difference between expected and actual experience | (344,543) | | (189,119) |
| Changes of assumptions | 0 | | 0 |
| Contributions – employer | | 580,630 | (580,630) |
| Contributions – employee | | 189,131 | (189,131) |
| Net Investment Income | | 1,106,172 | (1,106,119) |
| Benefit payments, including refunds of employee contributions | (1,186,119) | (1,186,119) | |
| Administrative expense | | (12,504) | 12,504 |
| Other Changes | | (674) | 674 |
| Net Changes | \$ 32,944 | \$ 676,636 | \$ 787,928 |
| Balance at 12/31/2016 | \$ 17,736,841 | \$ 17,059,120 | \$ 677,721 |

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.

Prior Period Adjustment

The City of Brownfield is now required under Governmental Accounting Standards Board Statement No. 68 to include retirement information with the Texas Municipal Retirement System as part of the current financial reports. Previously this was disclosed in the footnotes to the financial statements.

The result of this change created a prior period adjustment decreasing the City's fund balance by \$374,438. The following decreases in fund balance are represented as follows: General Fund (\$242,847), Proprietary Funds (\$122,643) and the component unit (\$8,938).

WJH

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

| | | | |
|----|--|----|-------------------|
| A. | Total Pension Liability | | |
| | 1. Service Cost | \$ | 395,284 |
| | 2. Interest (on the Total Pension Liability) | | 1,168,322 |
| | 3. Changes of benefit terms | | 0 |
| | 4. Difference between expected and actual experience | | (189,131) |
| | 5. Changes of assumptions | | 0 |
| | 6. Benefit payments, including refunds of employee contributions | | (1,186,119) |
| | 7. Net change in total pension liability | \$ | 32,944 |
| | 8. Total pension liability – beginning | | 17,703,897 |
| | 9. Total pension liability – ending | \$ | <u>17,736,841</u> |
| B. | Plan Fiduciary Net Position | | |
| | 1. Contributions – employer | \$ | 580,630 |
| | 2. Contributions – employee | | 189,131 |
| | 3. Net Investment Income | | 1,106,172 |
| | 4. Benefit payments, including refunds of employee contributions | | (1,186,119) |
| | 5. Administrative Expense | | (12,504) |
| | 6. Other | | (674) |
| | 7. Net change in plan fiduciary net position | \$ | 676,636 |
| | 8. Plan fiduciary net position – beginning | | 16,382,484 |
| | 9. Plan fiduciary net position – ending | \$ | <u>17,059,120</u> |
| C. | Net Pension Liability [A.9 – B.9] | \$ | <u>677,721</u> |
| D. | Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9] | | 96.81% |
| E. | Covered-Employee Payroll | \$ | 3,782,619 |
| F. | Net pension liability as a percentage of covered employee payroll [C / E] | | 17.92% |

CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

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

PENSION EXPENSE

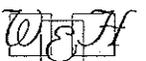
| | | | |
|-----|---|----|-------------|
| 1. | Total Service Cost | \$ | 395,284 |
| 2. | Interest on the Total Pension Liability | | 1,168,322 |
| 3. | Current Period Benefit Changes | | -0- |
| 4. | Employee Contributions (Reduction of Expense) | | (189,131) |
| 5. | Projected Earnings on Plan Investments (Reduction of Expense) | | (1,151,108) |
| 6. | Administrative Expense | | 12,504 |
| 7. | Other changes in Fiduciary Net Position | | 674 |
| 8. | Recognition of Current Year Outflow(Inflow) of Resources – Liabilities | | 2,011 |
| 9. | Recognition of Current Year Outflow(Inflow) of Resources - Assets | | 225,369 |
| 10. | Amortization of Prior Year Outflows(Inflows) of Resources – Liabilities | | (116,846) |
| 11. | Amortization of Prior Year Outflows(Inflows) of Resources – Assets | | 39,954 |
| 12. | Total Pension Expense | \$ | 387,030 |

At September 30, 2016, 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 | | \$ 446,666 |
| Changes in actuarial assumptions | \$ 161,494 | |
| Difference between projected and actual investment earnings | \$ 1,021,337 | |
| Contributions subsequent to the measurement date. | \$ 413,420 | |
| Total | \$ 1,596,251 | \$ 446,666 |

\$413,420 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended Dec 31: | | |
|--------------------|----|---------|
| 2016 | \$ | 150,488 |
| 2017 | \$ | 150,488 |
| 2018 | \$ | 208,657 |
| 2019 | \$ | 226,532 |
| 2020 | \$ | 0 |
| Total | \$ | 736,165 |



CITY OF BROWNFIELD, TEXAS
NOTES TO FINANCIAL STATEMENTS

10. INTERNAL BALANCES

Transfers between funds in 2017 are as follows:

| Fund | Transfer In | Transfer Out | Purpose of Transfer |
|--------------------|---------------------|-----------------------|--|
| General | \$ 3,762,296 | \$ | Appropriations in Lieu of Property Taxes |
| Power and Light | | (3,163,868) | Appropriations in Lieu of Property Taxes |
| Water and Sewer | 100,000 | (100,000) | Appropriations in Lieu of Property Taxes |
| Garbage | 79,215 | (79,215) | Appropriations in Lieu of Property Taxes |
| Infrastructure | 992,139 | (992,139) | Appropriations in Lieu of Property Taxes |
| Detention Facility | | (598,428) | Interfund Transfer |
| | <u>\$ 4,933,650</u> | <u>\$ (4,933,650)</u> | |

11. COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

The City has no litigation pending which would have a material impact on the financial statements.

The City has evaluated subsequent events through May 10, 2018, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROWNFIELD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------------------|-------------------|--|
| Revenues | | | |
| Taxes | \$ 2,361,802 | \$ 2,394,993 | \$ 33,191 |
| Intergovernmental Revenues | 250,000 | 250,000 | 0 |
| Other Service Revenue | 445,342 | 485,708 | 40,366 |
| Miscellaneous and other Revenue | 200,029 | 241,867 | 41,838 |
| Total Revenues | <u>3,257,173</u> | <u>3,372,568</u> | <u>115,395</u> |
| Expenditures | | | |
| Financial Administration | 225,016 | 228,364 | (3,348) |
| Judicial and Legal | 206,096 | 179,982 | 26,114 |
| Central Administration | 1,022,770 | 903,187 | 119,583 |
| Street and Highways | 1,001,619 | 1,025,118 | (23,499) |
| Public Safety - Police | 2,065,283 | 1,999,656 | 65,627 |
| Public Safety - Fire | 1,111,258 | 1,107,980 | 3,278 |
| Public Safety - Inspection & Emergency Management | 112,567 | 97,196 | 15,371 |
| Public Services | 206,078 | 159,943 | 46,135 |
| Parks and Recreation | 784,172 | 746,183 | 37,989 |
| All Other | 110,520 | 89,200 | 21,320 |
| Total Expenditures | <u>6,845,379</u> | <u>6,536,809</u> | <u>308,570</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (3,588,206) | (3,164,241) | 423,965 |
| Other Sources (Uses) | | | |
| Operating Transfers In (Out) Net | 3,588,201 | 3,408,083 | (180,118) |
| Total Other Sources (uses) | <u>3,588,201</u> | <u>3,408,083</u> | <u>(180,118)</u> |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>(5)</u> | <u>243,842</u> | <u>243,847</u> |
| Net Assets, October 1, 2016. | <u>88,647</u> | <u>88,647</u> | <u>0</u> |
| Net Assets, September 30, 2017 | <u>\$ 88,642</u> | <u>\$ 332,489</u> | <u>\$ 243,847</u> |

CITY OF BROWNFIELD, TEXAS
STATEMENT OF REVENUES
COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

GENERAL FUND

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------|---------------------------------|---------------------|--|
| Taxes | | | |
| Property Taxes | \$ 1,269,348 | \$ 1,272,061 | \$ 2,713 |
| General Sales Tax | 903,104 | 986,233 | 83,129 |
| Franchise Tax | 188,041 | 135,903 | (52,138) |
| Mixed Drink Tax | 977 | 568 | (409) |
| Other Taxes | | | |
| Tax Certificates | 332 | 228 | (104) |
| Total Taxes | <u>2,361,802</u> | <u>2,394,993</u> | <u>33,191</u> |
| Intergovernmental | | | |
| County | 250,000 | 250,000 | 0 |
| Total Intergovernmental | <u>250,000</u> | <u>250,000</u> | <u>0</u> |
| Other Sales & Services | | | |
| Licenses & Permits | 10,689 | 27,644 | 16,955 |
| City/County Parks | 300,000 | 300,000 | 0 |
| Swimming Pool Revenue | 68,793 | 76,690 | 7,897 |
| Rents Of City Property | 12,274 | 20,814 | 8,540 |
| Service Charges | 53,586 | 60,559 | 6,973 |
| Total Other Sales and Services | <u>445,342</u> | <u>485,707</u> | <u>40,365</u> |
| Other Miscellaneous | | | |
| Fines | 62,964 | 97,221 | 34,257 |
| Miscellaneous | 51,051 | 51,333 | 282 |
| State and Other Fees | 86,014 | 93,313 | 7,299 |
| Total Other Miscellaneous | <u>200,029</u> | <u>241,867</u> | <u>41,838</u> |
| Total Revenues | <u>\$ 3,257,173</u> | <u>\$ 3,372,567</u> | <u>\$ 115,394</u> |

CITY OF BROWNFIELD, TEXAS
STATEMENT OF EXPENDITURES
COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

GENERAL FUND

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|---------------------------------|-------------------|--|
| EXPENDITURES | | | |
| Financial Administration | | | |
| Salaries & Wages | \$ 142,596 | \$ 147,588 | \$ (4,992) |
| Retirement | 21,888 | 23,049 | (1,161) |
| Payroll Tax | 10,909 | 11,547 | (638) |
| Employee Insurance | 33,600 | 27,716 | 5,884 |
| Office Supplies | 1,960 | 1,412 | 548 |
| Dues | 2,812 | 4,611 | (1,799) |
| Business Travel | 3,901 | 5,101 | (1,200) |
| Miscellaneous | 150 | 140 | 10 |
| Car Allowance | 7,200 | 7,200 | 0 |
| Total Financial Administration | \$ 225,016 | \$ 228,364 | \$ (3,348) |
| Judicial and Legal | | | |
| Municipal Court | | | |
| Salaries & Wages | \$ 73,863 | \$ 72,209 | \$ 1,654 |
| Retirement | 11,338 | 11,338 | 0 |
| Payroll Tax | 5,651 | 5,746 | (95) |
| Employee Insurance | 33,600 | 8,444 | 25,156 |
| Office Supplies | 1,592 | 1,747 | (155) |
| Business Travel | 900 | 588 | 312 |
| Jury Duty | 176 | 90 | 86 |
| State and Other Costs | 78,976 | 79,820 | (844) |
| Total Municipal Court | \$ 206,096 | \$ 179,982 | \$ 26,114 |
| Total Judicial and Legal | \$ 206,096 | \$ 179,982 | \$ 26,114 |
| Central Administration | | | |
| City Council | | | |
| Salaries & Wages | \$ 5,478 | \$ 5,807 | \$ (329) |
| Payroll Taxes | 419 | 446 | (27) |
| Election Administrator | 10,000 | 10,000 | 0 |
| Election Supplies | 4,125 | 0 | 4,125 |
| Business Travel | 9,200 | 3,906 | 5,294 |
| Special Services | 2,550 | 1,600 | 950 |
| Incidentals | 1,600 | 1,047 | 553 |
| Total City Council | \$ 33,372 | \$ 22,806 | \$ 10,566 |

CITY OF BROWNFIELD, TEXAS
STATEMENT OF EXPENDITURES
COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

GENERAL FUND

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------------------|------------|--|
| City Secretary | | | |
| Salaries & Wages | \$ 180,270 | \$ 149,188 | \$ 31,082 |
| Retirement | 27,671 | 23,166 | 4,505 |
| Payroll Taxes | 13,791 | 11,463 | 2,328 |
| Employee Insurance | 117,600 | 100,065 | 17,535 |
| Unemployment | 5,000 | 1,749 | 3,251 |
| Office Supplies | 11,819 | 10,499 | 1,320 |
| Advertising & Legal | 3,743 | 1,052 | 2,691 |
| Business Travel | 2,961 | 2,469 | 492 |
| Dues | 225 | 120 | 105 |
| Miscellaneous | 200 | 201 | (1) |
| Bad Debt Expense | 2,028 | 3,856 | (1,828) |
| Tax Suits | 250 | 0 | 250 |
| Tax Appraisal Board | 39,402 | 39,402 | 0 |
| Audit | 26,600 | 27,300 | (700) |
| Total City Secretary | \$ 431,560 | \$ 370,530 | \$ 61,030 |
| Non-Departmental | | | |
| Salaries & Wages | \$ 167,059 | \$ 140,062 | \$ 26,997 |
| Retirement | 9,649 | 8,264 | 1,385 |
| Payroll Taxes | 4,809 | 4,162 | 647 |
| Employee Insurance | 33,600 | 21,719 | 11,881 |
| Office Supplies-Printing & Postage | 27,678 | 29,929 | (2,251) |
| Janitor and Miscellaneous Supplies | 2,500 | 1,248 | 1,252 |
| Miscellaneous | 1,694 | 1,786 | (92) |
| Building and Office Equipment | | | |
| Maintenance | 113,295 | 99,166 | 14,129 |
| Telephone | 9,675 | 8,380 | 1,295 |
| Insurance | 125,545 | 126,210 | (665) |
| Special Services | 4,500 | 2,175 | 2,325 |
| Utilities | 53,186 | 60,248 | (7,062) |
| Dues | 4,648 | 6,502 | (1,854) |
| Total Non-Departmental Before Capital Outlay & Transfers | \$ 557,838 | \$ 509,851 | \$ 47,987 |
| Capital Outlay | 0 | 0 | 0 |
| Total Non-Departmental | \$ 557,838 | \$ 509,851 | \$ 47,987 |
| Total Central Administration | \$ 1,022,770 | \$ 903,187 | \$ 119,583 |

CITY OF BROWNFIELD, TEXAS
STATEMENT OF EXPENDITURES
COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

GENERAL FUND

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------------------|---------------------------------|--------------|--|
| Streets & Highways | | | |
| Salaries & Wages | \$ 270,387 | \$ 250,088 | \$ 20,299 |
| Retirement | 41,504 | 38,843 | 2,661 |
| Payroll Taxes | 20,685 | 19,346 | 1,339 |
| Employee Insurance | 134,400 | 136,343 | (1,943) |
| Vehicle Supplies | 42,500 | 42,615 | (115) |
| Supplies & Chemicals | 36,700 | 47,325 | (10,625) |
| Uniforms | 1,500 | 0 | 1,500 |
| Miscellaneous | 2,100 | 14 | 2,086 |
| Street Maintenance | 75,000 | 329,495 | (254,495) |
| Vehicle & Machinery Maintenance | 60,000 | 65,249 | (5,249) |
| Garage Expense | 20,000 | 13,274 | 6,726 |
| Engineering Services | 7,500 | 725 | 6,775 |
| Street Light Utilities | 9,343 | 7,691 | 1,652 |
| Total Street & Highways Before | | | |
| Capital Outlay | \$ 721,619 | \$ 951,008 | \$ (229,389) |
| Capital Outlay | 280,000 | 74,110 | 205,890 |
| Total Streets & Highways | \$ 1,001,619 | \$ 1,025,118 | \$ (23,499) |
| | | | |
| Public Safety - Police | | | |
| Salaries & Wages | \$ 1,002,114 | \$ 1,003,011 | \$ (897) |
| Retirement | 153,825 | 151,966 | 1,859 |
| Payroll Taxes | 76,662 | 75,629 | 1,033 |
| Employee Insurance | 420,000 | 402,196 | 17,804 |
| Office Supplies | 9,900 | 7,863 | 2,037 |
| Vehicle Fuel | 52,322 | 41,078 | 11,244 |
| Supplies | 30,000 | 19,370 | 10,630 |
| Uniforms | 21,596 | 17,515 | 4,081 |
| Schools and Cont. Education | 3,960 | 4,110 | (150) |
| Building Maintenance | 9,460 | 1,943 | 7,517 |
| Equipment Maintenance | 10,890 | 11,050 | (160) |
| Vehicle Maintenance | 31,620 | 29,392 | 2,228 |
| Telephone | 32,268 | 29,636 | 2,632 |
| Insurance | 15,263 | 15,263 | 0 |
| Business Travel | 4,000 | 4,499 | (499) |
| Grant Match | 0 | 0 | 0 |
| Detention Expense | 41,000 | 40,000 | 1,000 |
| Dues | 1,800 | 2,289 | (489) |
| Miscellaneous | 7,300 | 9,297 | (1,997) |
| Total Public Safety - Police Before | | | |
| Capital Outlay | \$ 1,923,980 | \$ 1,866,107 | \$ 57,873 |
| Capital Outlay | 141,303 | 133,549 | 7,754 |
| Total Public Safety - Police | \$ 2,065,283 | \$ 1,999,656 | \$ 65,627 |

CITY OF BROWNFIELD, TEXAS
STATEMENT OF EXPENDITURES
COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

GENERAL FUND

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------------------|--------------|--|
| Public Safety - Fire | | | |
| Salaries & Wages | \$ 370,362 | \$ 375,225 | \$ (4,863) |
| Retirement | 56,851 | 59,295 | (2,444) |
| Payroll Taxes | 28,333 | 29,617 | (1,284) |
| Employee Insurance | 134,400 | 148,582 | (14,182) |
| Vehicle Supplies | 4,800 | 4,712 | 88 |
| Supplies | 68,000 | 74,310 | (6,310) |
| Uniforms | 7,000 | 7,865 | (865) |
| Training | 4,600 | 4,526 | 74 |
| Maintenance | 12,300 | 24,140 | (11,840) |
| Insurance | 7,484 | 6,821 | 663 |
| Volunteer Firemen | 36,200 | 30,000 | 6,200 |
| Firemens Pension | 3,828 | 4,082 | (254) |
| Fire Marshal | 2,100 | 1,169 | 931 |
| Total Public Safety - Fire Before Capital Outlay | \$ 736,258 | \$ 770,344 | \$ (34,086) |
| Capital Outlay | 375,000 | 337,636 | 37,364 |
| Total Public Safety - Fire | \$ 1,111,258 | \$ 1,107,980 | \$ 3,278 |

| | | | |
|---|-----------|-----------|----------|
| Public Safety - Inspection & Civil Defense | | | |
| Inspection | | | |
| Salaries & Wages | \$ 52,066 | \$ 51,284 | \$ 782 |
| Retirement | 7,992 | 7,828 | 164 |
| Payroll Tax | 3,983 | 3,953 | 30 |
| Employee Insurance | 16,800 | 23,554 | (6,754) |
| Vehicle Maintenance | 2,926 | 2,101 | 825 |
| Miscellaneous Supplies | 3,614 | 2,225 | 1,389 |
| Training | 2,970 | 269 | 2,701 |
| Business Travel | 2,970 | 767 | 2,203 |
| Dues | 644 | 480 | 164 |
| Miscellaneous | 50 | 171 | (121) |
| Total Public Safety - Inspection & Ci | \$ 94,015 | \$ 92,632 | \$ 1,383 |

CITY OF BROWNFIELD, TEXAS
STATEMENT OF EXPENDITURES
COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

GENERAL FUND

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------------------|------------|--|
| Emergency Management | | | |
| Salaries & Wages | \$ 3,000 | \$ 58 | \$ 2,942 |
| Retirement | 420 | 0 | 420 |
| Payroll Tax | 305 | 0 | 305 |
| Printing Office | 2,250 | 0 | 2,250 |
| Supplies | 3,750 | (558) | 4,308 |
| Radio Maintenance | 4,000 | 1,812 | 2,188 |
| Training | 1,500 | 0 | 1,500 |
| Miscellaneous | 3,327 | 3,252 | 75 |
| Total Emergency Management Before Capital Outlay | \$ 18,552 | \$ 4,564 | \$ 13,988 |
| Capital Outlay | 0 | | 0 |
| Total Emergency Management | \$ 18,552 | \$ 4,564 | \$ 13,988 |
| Total Public Safety - Inspection and Emergency Management | \$ 112,567 | \$ 97,196 | \$ 15,371 |
| Parks & Recreation | | | |
| Salaries & Wages | \$ 260,499 | \$ 276,418 | \$ (15,919) |
| Retirement | 31,199 | 28,990 | 2,209 |
| Payroll Taxes | 19,929 | 21,103 | (1,174) |
| Employee Insurance | 67,200 | 85,579 | (18,379) |
| Vehicle & Machinery Maintenance | 6,800 | 7,604 | (804) |
| Recreation Board Expense | 950 | 18 | 932 |
| Supplies | 30,000 | 88,068 | (58,068) |
| Building & Machinery Maint. | 15,915 | 14,545 | 1,370 |
| Miscellaneous | 6,540 | 5,560 | 980 |
| Pool Maintenance & Supplies | 39,925 | 36,028 | 3,897 |
| Utilities | 77,715 | 62,165 | 15,550 |
| Total Parks & Recreation Before Capital Outlay | \$ 556,672 | \$ 626,078 | \$ (69,406) |
| Capital Outlay | 227,500 | 120,105 | 107,395 |
| Total Parks & Recreation | \$ 784,172 | \$ 746,183 | \$ 37,989 |

CITY OF BROWNFIELD, TEXAS
STATEMENT OF EXPENDITURES
COMPARED TO BUDGET (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

GENERAL FUND

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------------------|---------------------|--|
| Drug Enforcement | \$ 59,919 | \$ 57,652 | \$ 2,267 |
| Salaries & Wages | 9,198 | 9,372 | (174) |
| Retirement | 4,584 | 4,775 | (191) |
| Payroll Tax | 16,800 | 10,961 | 5,839 |
| Employee Insurance | 3,642 | 3,435 | 207 |
| Vehicle Maintenance | 1,950 | 0 | 1,950 |
| Miscellaneous | 3,270 | 1,016 | 2,254 |
| Supplies | 2,375 | 534 | 1,841 |
| Training | 1,485 | 1,075 | 410 |
| Business Travel | 297 | 380 | (83) |
| Dues | 7,000 | 0 | 7,000 |
| Operations | | | |
| Total Public Safety - Inspection & Civil | <u>\$ 110,520</u> | <u>\$ 89,200</u> | <u>\$ 21,320</u> |
| Public Services | \$ 15,000 | \$ 15,000 | \$ 0 |
| Brownfield Senior Citizens | 130,164 | 84,996 | 45,168 |
| Ambulance Contingency | 13,250 | 12,733 | 517 |
| Library | 1,000 | 1,000 | 0 |
| Cemetery Care | 12,000 | 12,000 | 0 |
| Boys & Girls Club | 30,164 | 30,164 | 0 |
| Health Unit | 600 | 600 | 0 |
| Texas State Guard | 3,900 | 3,450 | 450 |
| Community Service Volunteers | <u>206,078</u> | <u>159,943</u> | <u>46,135</u> |
| Total Public Services | | | |
| Total Expenditures | <u>\$ 6,845,379</u> | <u>\$ 6,536,809</u> | <u>\$ 308,570</u> |

CITY OF BROWNFIELD, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2017

| | Municipal Court Security Fund | Hamilton Park Fund | Seized Drug Fund | Infrastructure-Structure Fund | Hotel Motel Fund | Total Non-Major Governmental Funds |
|--|-------------------------------|--------------------|------------------|-------------------------------|-------------------|------------------------------------|
| Assets | | | | | | |
| Cash in Bank(Restricted) | \$ 53,436 | \$ 13,360 | \$ 9,189 | \$ 912,796 | \$ 690,010 | \$ 1,678,791 |
| Accounts Receivable | | | | | 62,523 | 62,523 |
| Total Assets | <u>53,436</u> | <u>13,360</u> | <u>9,189</u> | <u>912,796</u> | <u>752,533</u> | <u>1,741,314</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | | | 219 | | | 219 |
| Total Liabilities | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>219</u> |
| Restricted Fund Balances | | | | | | |
| Unrestricted | 53,436 | 13,141 | 9,189 | 912,796 | 752,533 | 828,299 |
| Total Restricted Fund Balance | <u>53,436</u> | <u>13,141</u> | <u>9,189</u> | <u>912,796</u> | <u>752,533</u> | <u>912,796</u> |
| Total Liabilities and Fund Balances | <u>\$ 53,436</u> | <u>\$ 13,360</u> | <u>\$ 9,189</u> | <u>\$ 912,796</u> | <u>\$ 752,533</u> | <u>\$ 1,741,314</u> |

CITY OF BROWNFIELD, TEXAS
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Municipal Court Security Fund | Hamilton Park Fund | Seized Drug Fund | Infra- Structure Fund | Hotel Motel Fund | Total Non-Major Governmental Funds |
|---|--|--------------------------|------------------------|-----------------------------|------------------------|---|
| Revenues | | | | | | |
| Charges for service | \$ 6,558 | \$ | \$ 1,081 | \$ 31,215 | \$ | \$ 38,854 |
| Hotel/Motel Tax Collections | | | | | 186,425 | 186,425 |
| Miscellaneous Revenue | | | | 251,416 | | 251,416 |
| Investment earnings | | 155 | | | 6,069 | 6,224 |
| Total Revenues | <u>6,558</u> | <u>155</u> | <u>1,081</u> | <u>282,631</u> | <u>192,494</u> | <u>482,919</u> |
| Expenditures | | | | | | |
| Supplies & Maintenance | 1,011 | 64 | 7,312 | | | 8,387 |
| Event Funding | | | | | 125,488 | 125,488 |
| Total Expenditures | <u>1,011</u> | <u>64</u> | <u>7,312</u> | <u>0</u> | <u>125,488</u> | <u>133,875</u> |
| Excess deficiency) of revenues over expenditures | 5,547 | 91 | (6,231) | 282,631 | 67,005 | 349,044 |
| Other Financing Sources(Uses) | | | | | | |
| Transfers to (from) Other Funds(Net) | | | | 501,584 | | 501,584 |
| Total Other Financing Sources(Uses) | | | | | | |
| Net Changes in Fund Balances | <u>5,547</u> | <u>91</u> | <u>(6,231)</u> | <u>784,215</u> | <u>67,005</u> | <u>850,628</u> |
| Restricted Fund Balances Beginning | 47,889 | 13,049 | 15,420 | 128,581 | 685,528 | 890,467 |
| Restricted Fund Balances Ending | <u>\$ 53,436</u> | <u>\$ 13,140</u> | <u>\$ 9,189</u> | <u>\$ 912,796</u> | <u>\$ 752,533</u> | <u>\$ 1,741,095</u> |

WJF

CITY OF BROWNFIELD, TEXAS
 COMBINING STATEMENT OF NET POSITION
 POWER & LIGHT FUNDS
 SEPTEMBER 30, 2017

| | Power and Light Funds | Light Meter Fund | Combined Totals 2017 |
|--|-----------------------------|--------------------------|----------------------------|
| ASSETS | | | |
| Cash in Bank | \$ 33,177 | \$ 974,552 | \$ 1,007,729 |
| Cash in Savings | 3,129,144 | | 3,129,144 |
| Receivables | | | |
| Accounts and Rents | 385,953 | | 385,953 |
| Inventories | 85,531 | | 85,531 |
| Property and Equipment | | | |
| Land | 15,697 | | 15,697 |
| Buildings and Equipment | 2,238,377 | | 2,238,377 |
| Accumulated Depreciation | (1,290,666) | | (1,290,666) |
| Total Assets | <u>4,597,213</u> | <u>974,552</u> | <u>5,571,765</u> |
| DEFERRED OUTFLOWS | | | |
| Deferred Outflows - Pension | <u>230,812</u> | | <u>230,812</u> |
| TOTAL ASSETS & DEFERRED OUTFLOWS | <u><u>4,828,025</u></u> | <u><u>974,552</u></u> | <u><u>5,802,577</u></u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | | | |
| Current | | | |
| Accounts Payable | 450,449 | | 450,449 |
| Accrued Expenses | 20,432 | | 20,432 |
| Deposits | 4,537 | 844,461 | 848,998 |
| Long-term Liabilities | | | |
| Pension Liability | <u>185,528</u> | | <u>185,528</u> |
| Total Liabilities | <u>660,946</u> | <u>844,461</u> | <u>1,505,407</u> |
| DEFERRED INFLOWS | | | |
| Deferred Inflows - Pension | <u>42,596</u> | | <u>42,596</u> |
| Net Position | | | |
| Invested in Capital Assets | | | |
| Net of Related Debt | 947,712 | | 947,712 |
| Unrestricted | 3,172,244 | 130,091 | 3,302,335 |
| Restricted | 4,527 | | 4,527 |
| Total Net Position | <u>4,124,483</u> | <u>130,091</u> | <u>4,254,574</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS, NET POSITION | <u><u>\$ 4,828,025</u></u> | <u><u>\$ 974,552</u></u> | <u><u>\$ 5,802,577</u></u> |

CITY OF BROWNFIELD, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 POWER AND LIGHT FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Power & Light Fund | Light Meter Fund | Combined Totals 2016 |
|---|--------------------------|------------------------|----------------------------|
| Revenues | | | |
| Charges for Services | \$ 8,120,656 | \$ | \$ 8,120,656 |
| Penalties | 14,176 | | 14,176 |
| License and Permits | 4,758 | | 4,758 |
| Rents | 75,881 | | 75,881 |
| Sales Tax Collected | 357,362 | | 357,362 |
| Miscellaneous and Other Revenues | 3,248 | | 3,248 |
| Total Revenues | <u>8,576,081</u> | <u>0</u> | <u>8,576,081</u> |
| Operating Expenses | | | |
| Personnel Services | 549,346 | | 549,346 |
| Supplies and Maintenance | 182,962 | | 182,962 |
| Maintenance | 14,930 | | 14,930 |
| Miscellaneous Expense | (462) | 147 | (315) |
| Contractual Purchases | 4,983,622 | | 4,983,622 |
| Other Charges | 128,790 | | 128,790 |
| Bad Debt Expense | 48,407 | | 48,407 |
| Sales Tax Paid to State | 325,599 | | 325,599 |
| Depreciation | 170,561 | | 170,561 |
| Total Operation Expenses | <u>6,403,755</u> | <u>147</u> | <u>6,403,902</u> |
| Total Operation Income(Loss) | <u>2,172,327</u> | <u>(147)</u> | <u>2,172,180</u> |
| Nonoperating Revenues(Expenses) | | | |
| Interest Income | 35,859 | 0 | 35,859 |
| Income(Loss) Before Operating Transfers | <u>2,208,186</u> | <u>(147)</u> | <u>2,208,039</u> |
| Operating Transfers | | | |
| Operating Transfers In | 0 | 0 | 0 |
| Operating Transfers Out | <u>(3,163,868)</u> | | <u>(3,163,868)</u> |
| Net Income (Loss) | (955,683) | (147) | (955,830) |
| Net Position, October 1, 2016 | <u>5,080,165</u> | <u>130,238</u> | <u>5,210,403</u> |
| Net Position, September 30, 2017 | <u>\$ 4,124,483</u> | <u>\$ 130,091</u> | <u>\$ 4,254,574</u> |

CITY OF BROWNFIELD, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 POWER & LIGHT FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Power & Light Fund | Light Meter Fund | Combined Totals 2016 |
|--|--------------------------|------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers | \$ 8,203,348 | \$ 0 | \$ 8,203,348 |
| Payments to Suppliers | (5,192,050) | 0 | (5,192,050) |
| Payments to Employees | (568,652) | 0 | (568,652) |
| Other payments | (502,796) | 0 | (502,796) |
| Other receipts | 436,491 | 0 | 436,491 |
| Net Cash Provided by operating activities | <u>2,376,341</u> | <u>0</u> | <u>2,376,341</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Customer Deposits | 0 | 20,845 | 20,845 |
| Transfers from and (to) other funds-net | (3,163,868) | 0 | (3,163,868) |
| Net Cash provided by financing activities | <u>(3,163,868)</u> | <u>20,845</u> | <u>(3,143,023)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchase of capital assets | (28,904) | 0 | (28,904) |
| Net Cash used by capital and related financing activities | <u>(28,904)</u> | <u>0</u> | <u>(28,904)</u> |
| Interest Income | 35,859 | 0 | 35,859 |
| Net Cash provided by Investing activities | <u>35,859</u> | <u>0</u> | <u>35,859</u> |
| Net increase(decrease) in cash and cash equivalents | (780,572) | 20,845 | (759,727) |
| Balances - beginning of the year | 3,977,816 | 918,784 | 4,896,600 |
| Balances - end of the year | <u>3,197,244</u> | <u>939,629</u> | <u>4,136,873</u> |
| RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES | | | |
| Operating income(loss) | 2,154,372 | 0 | 2,154,372 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | |
| Depreciation | 170,561 | 0 | 170,561 |
| Accrued Payroll/Vacation & Sick Leave | (1,499) | 0 | (1,499) |
| Change in assets and liabilities: | | | |
| Receivables, net | 63,758 | 0 | 63,758 |
| Inventories | (16,537) | 0 | (16,537) |
| Accounts and other payables | 5,686 | 0 | 5,686 |
| Pension - Deferred Outflows | 0 | 0 | 0 |
| Net cash provided by operating activities | <u>\$ 2,376,341</u> | <u>\$ 0</u> | <u>\$ 2,376,341</u> |

CITY OF BROWNFIELD, TEXAS
 COMBINING STATEMENT OF NET POSITION
 WATER & SEWER FUNDS
 SEPTEMBER 30, 2017

| | Water & Sewer Funds | Water Meter Funds | Water & Sewer Pro-Rata Fund | Combined Totals 2017 |
|---|---------------------------|-------------------------|--------------------------------------|----------------------------|
| ASSETS | | | | |
| Cash in Bank | \$ 191,720 | \$ 60,801 | \$ 9,984 | \$ 262,505 |
| Cash in Savings | 90,806 | | | 90,806 |
| Receivables | | | | |
| Accounts and Rents | 127,582 | | | 127,582 |
| Inventories | 38,577 | | | 38,577 |
| Property and Equipment | | | | |
| Land | 390,679 | | | 390,679 |
| Buildings and Equipment | 9,150,327 | | | 9,150,327 |
| Accumulated Depreciation | (4,745,403) | | | (4,745,403) |
| Investment in Water Facility | 3,713,676 | | | 3,713,676 |
| Total Investment in Water Facility | <u>8,957,964</u> | <u>60,801</u> | <u>9,984</u> | <u>9,028,749</u> |
| DEFERRED OUTFLOWS | | | | |
| Deferred Outflows - Pension | <u>237,939</u> | | | <u>237,939</u> |
| TOTAL ASSETS & DEFERRED OUTFLOWS | <u><u>9,195,903</u></u> | <u><u>60,801</u></u> | <u><u>9,984</u></u> | <u><u>9,266,688</u></u> |
| LIABILITIES AND NET POSITION | | | | |
| Liabilities | | | | |
| Current | | | | |
| Accounts Payable | 53,030 | | | 53,030 |
| Accrued Expenses | 15,459 | | | 15,459 |
| Due within One Year | 344,525 | | | 344,525 |
| Non Current Liabilities | | | | |
| Due in More Than One Year | 3,289,191 | | | 3,289,191 |
| Bond Premium | 110,440 | | | 110,440 |
| Pension Liability | 191,253 | | | 191,253 |
| Total Liabilities | <u>4,003,898</u> | | | <u>4,003,898</u> |
| DEFERRED INFLOWS | | | | |
| Deferred Inflows - Pension | <u>43,895</u> | <u>0</u> | <u>0</u> | <u>43,895</u> |
| Net Position | | | | |
| Net Invested in Capital Assets | 4,404,924 | | | 4,404,924 |
| Unrestricted | 667,229 | | 9,984 | 677,213 |
| Restricted | 42,007 | 60,801 | | 102,808 |
| Total Net position | <u>5,114,160</u> | <u>60,801</u> | <u>9,984</u> | <u>5,184,945</u> |
| Total Liabilities and Net Position | <u>\$ 9,161,953</u> | <u>\$ 60,801</u> | <u>\$ 9,984</u> | <u>\$ 9,232,738</u> |

CITY OF BROWNFIELD, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 WATER AND SEWER FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Water & Sewer Fund | Water Meter Fund | Water & Sewer Pro-Rata Fund | Combined Totals 2017 |
|---|--------------------------|------------------------|--------------------------------------|----------------------------|
| Revenues | | | | |
| Charges for Services | \$ 2,642,082 | \$ | \$ | \$ 2,642,082 |
| Penalties | 4,745 | | | 4,745 |
| License and Permits | 19,983 | | | 19,983 |
| Registration Fees | | | | 0 |
| Miscellaneous and Other Revenues | (717) | | | (717) |
| Total Revenues | <u>2,666,093</u> | <u>0</u> | <u>0</u> | <u>2,666,093</u> |
| Operating Expenses | | | | |
| Personnel Services | 497,347 | | | 497,347 |
| Supplies and Maintenance | 247,820 | | | 247,820 |
| Contractual Purchases | 875,234 | | | 875,234 |
| Maintenance | 10,647 | | | 10,647 |
| Other Charges | 197,201 | | | 197,201 |
| Amortization of Water Rights | 374,123 | | | 374,123 |
| Depreciation | 383,329 | | | 383,329 |
| Total Operation Expenses | <u>2,585,701</u> | <u>0</u> | <u>0</u> | <u>2,585,701</u> |
| Total Operation Income(Loss) | <u>80,392</u> | <u>0</u> | <u>0</u> | <u>80,392</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Interest Income | 1,041 | | | 1,041 |
| Interest Expense | (186,997) | | | (186,997) |
| Income (Loss) Before Operating Transfers | <u>(105,564)</u> | <u>0</u> | <u>0</u> | <u>(105,564)</u> |
| Operating Transfers | | | | |
| Operating Transfers in | 27,139 | | | 27,139 |
| Operating Transfers Out | (100,000) | | | (100,000) |
| Net Income (Loss) | <u>(178,425)</u> | <u>0</u> | <u>0</u> | <u>(178,425)</u> |
| Prior Period Adjustment | | | | |
| Net Position, October 1, 2016 | 5,292,585 | 60,801 | 9,984 | 5,363,370 |
| Net Position, September 30, 2017 | <u>\$ 5,114,160</u> | <u>\$ 60,801</u> | <u>\$ 9,984</u> | <u>\$ 5,184,945</u> |

CITY OF BROWNFIELD, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 WATER & SEWER FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Water & Sewer Fund | Water Meter Fund | Water & Sewer Pro-Rata Fund | Combined Totals 2017 |
|--|--------------------------|------------------------|--------------------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from Customers | \$ 2,677,111 | \$ | \$ | \$ 2,677,111 |
| Payments to Suppliers | (1,157,603) | | | (1,157,603) |
| Payments to Employees | (514,366) | | | (514,366) |
| Other payments | (197,201) | | | (197,201) |
| Other receipts | 4,028 | | | 4,028 |
| Net Cash Provided by operating activities | <u>811,969</u> | <u>0</u> | <u>0</u> | <u>811,969</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Transfers from and (to) other funds-net | (72,861) | | | (72,861) |
| | <u>(72,861)</u> | <u>0</u> | <u>0</u> | <u>(72,861)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchase of capital assets | (124,243) | | | (124,243) |
| Payment on CRMWA Note Contracts | (343,543) | | | (343,543) |
| Net Cash used by capital and related financing activities | <u>(467,786)</u> | <u>0</u> | <u>0</u> | <u>(467,786)</u> |
| Interest Income(Expense) Net | | | | |
| Net Cash provided by financing activities | (185,956) | | | (185,956) |
| Net increase(decrease) in cash and cash equivalents | 85,366 | | 0 | 271,322 |
| Balances - beginning of the year | 197,160 | 60,801 | 9,984 | 267,945 |
| Balances - end of the year | <u>282,526</u> | <u>60,801</u> | <u>9,984</u> | <u>353,311</u> |
| RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES | | | | |
| Operating income(loss) | 62,021 | | | 62,021 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | |
| Depreciation | 383,329 | | | 383,329 |
| Amortization - Water Rights | 374,123 | | | 374,123 |
| Accrued Payroll/Vacation & Sick Leave | 1,352 | | | 1,352 |
| Change in assets and liabilities: | | | | |
| Receivables, net | 15,046 | | | 15,046 |
| Inventories | 3,430 | | | 3,430 |
| Accounts and other payables | (27,332) | | | (27,332) |
| Pension - Deferred Outflows | | | | 0 |
| Net cash provided by operating activities | <u>\$ 811,969</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 811,969</u> |

CITY OF BROWNFIELD, TEXAS
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (WILL ULTIMATELY BE DISPLAYED)

| | | 2017 | 2016 | | 2015 | | 2014 |
|--|----|----------|-----------|----|-----------|----|-----------|
| Actuarially Determined Contribution | \$ | 290,298 | 279,558 | \$ | 291,609 | \$ | 337,190 |
| Contributions in relation to the actuarially determined contribution | \$ | 577,310 | 558,751 | \$ | 546,950 | \$ | 528,327 |
| Contribution deficiency (excess) | \$ | 279,933 | 279,193 | \$ | 255,341 | | 191,137 |
| Covered employee payroll | \$ | 3,49,712 | 3,640,074 | \$ | 3,563,192 | \$ | 3,441,868 |
| Contributions as a percentage of covered employee payroll | | 15.35% | 15.35% | | 15.35% | | 15.35% |

NOTES TO 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 | 30 Years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.5% to 10.5% 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 2016 valuation pursuant to an experience study of the period 2010 – 2015 |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |

Other information:

Notes There were no benefit changes during the year.

Elected Rate The City of Brownfield has elected to pay a rate of 15.35%. The actuarially determined rate for 2014 is 10.16%, 2015 is 9.67% and 2016 is 7.68%.

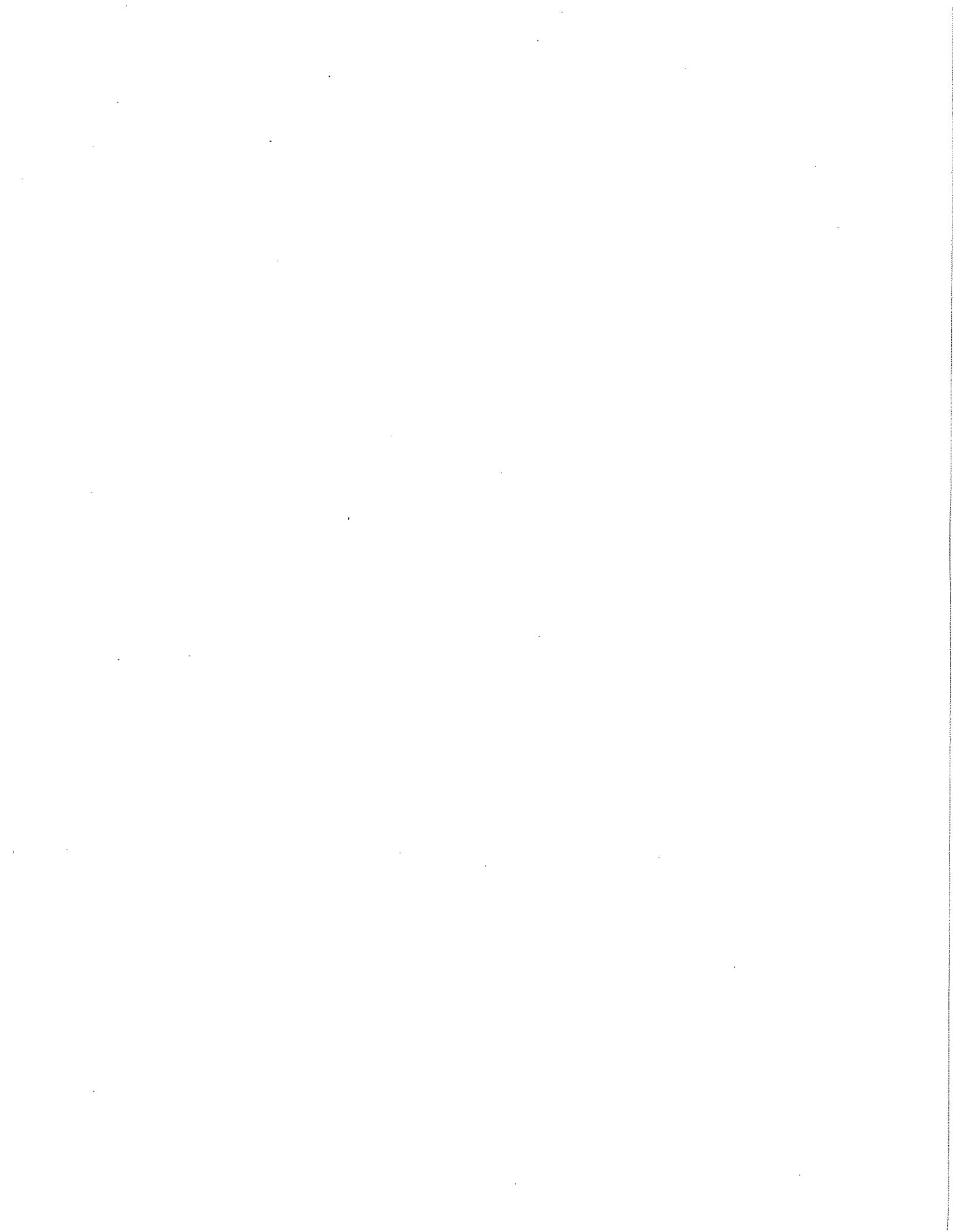
CITY OF BROWNFIELD, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 CALENDER YEAR DECEMBER 31, 2016

EXIHBIT F2

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 RETIREMENT COMPUTATION PERIOD
 LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED)

| | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|
| A. TOTAL PENSION LIABILITY | | | |
| 1 Service Cost | \$ 395,284 | \$ 350,818 | \$ 311,233 |
| 2 Interest (on the Pension Liability) | 1,168,322 | 1,172,503 | 1,159,565 |
| 3 Changes in benefit terms | 0 | 0 | 0 |
| 4 Difference between expected and actual experience | (344,543) | (197,395) | (526,062) |
| 5 Changes of assumptions | 0 | 206,604 | 0 |
| 6 Benefit payments, including refunds of employee contributions | (1,186,119) | (806,524) | (752,891) |
| 7 Net change in total pension liability | \$ 32,944 | \$ 726,006 | \$ 191,845 |
| 8 Total pension liability - beginning | 17,703,897 | 16,977,891 | 16,786,046 |
| 9 Total pension liability - ending | \$ 17,736,841 | \$ 17,703,897 | \$ 16,977,891 |
| | | | |
| B. Plan Fiduciary net position | | | |
| 1 Contributions - employer | \$ 580,630 | 555,012 | 530,278 |
| 2 Contributions - employee | 189,131 | 180,834 | 172,625 |
| 3 Net investment income | 1,106,172 | 24,265 | 893,031 |
| 4 Benefit payments, including refunds of employee contributions | (1,186,119) | (806,524) | (752,891) |
| 5 Administrative Expenses | (12,504) | (14,780) | (9,324) |
| 6 Other | (674) | (729) | (767) |
| 7 Net change in plan fiduciary net position | \$ 676,636 | \$ (61,922) | \$ 832,952 |
| 8 Plan fiduciary net position - beginning | 16,382,484 | 16,444,406 | 15,611,454 |
| 9 Plan fiduciary net position - ending | \$ 17,059,120 | \$ 16,382,484 | \$ 16,444,406 |
| | | | |
| C. Net pension liability [A.9 - B.9] | \$ 677,721 | \$ 1,321,413 | \$ 533,485 |
| | | | |
| D. Plan fiduciary net position as a percentage of the total pension liability [B.9/ A.9] | 96.18% | | |
| | | | |
| E. Covered-employee payroll | 3,782,619 | | |
| | | | |
| F. Net pension liability as a percentage of covered employee payroll [C/E] | 17.92% | | |





It is budget time and your team has to make an oral presentation to your City Council to convince them that your budget can support the following project:

- Group 1: The City is in desperate need of a new \$4 million wastewater treatment plant because the Texas Commission on Environmental Quality (TCEQ) is about to fine you for non-compliance because you are reaching the threshold for capacity at your plant.
- Group 2: The kids in a dilapidated neighborhood need a new playground at their park, and this is not at the top of the City Council list of budgeted items this year; yet, there is no other entertainment for kids in your city.
- Group 3: The Fire Department Truck is always undergoing repairs, and it is time to purchase a new truck, but the cost of a new truck is in the ballpark of \$300,000 - \$500,000. Every year, this priority falls at the bottom of the list because your department is a volunteer fire department.
- Group 4: The water tower is collapsing in your city and repairs would cost approximately \$500,000. From the appearance of the outside of the tower, there is nothing that looks problematic. Yet, the inside of the tower is rusted and also needs paint.