FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2025

CITY OF BROWNSBORO, TEXAS
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2025

	EXHIBIT/ SCHEDULE	PAGE(S)
Independent Auditor's Report		1-3
Management's Discussion and Analysis		5-14
Basic Financial Statements:		15
Government-Wide Financial Statements:		17
Statement of Net Position	1	18
Statement of Activities	2	19
Fund Financial Statements:		21
Balance Sheet – Governmental Funds	3	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	5	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	25
Statement of Net Position – Proprietary Funds	7	26
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	8	27
Statement of Cash Flows – Proprietary Funds	9	28
Notes to the Financial Statements		29-55
Required Supplementary Information:		56
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	10	58
TMRS Schedule of Changes in Net Pension Liability and Related Ratios		59
TMRS Schedule of Contributions		60
TMRS SDBF Schedule of Changes in Total OPEB Liability and Related Ratios		61
Supplementary Information:		62
Combining Balance Sheet – Nonmajor Governmental Funds	11	63
Combining Statement of Revenues, Expenses, and Changes in Fund Balances – Nonmajor Governmental Funds	12	64
Compliance and Internal Control:		66
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*		68-69

DKG CPA
DAVID K. GODWIN
CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Brownsboro, Texas, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brownsboro, Texas, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison information on page 58, and the Texas Municipal Retirement System schedules on pages 59 through 61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2025, on our consideration of the City of Brownsboro, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Brownsboro, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Brownsboro, Texas's internal control over financial reporting and compliance.

David K. Godwin, CPA, PLLC

Tyler, Texas
July 27, 2026

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Management's Discussion and Analysis

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Management's Discussion and Analysis
For Year Ended JUNE 30, 2025

(Unaudited)

The Management Discussion and Analysis of the City of Brownsboro's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2025. Please read in conjunction with the City's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Mayor and Council

Adam McLean
Mayor

Charles Cox
City Council

Jason Gardner
City Council

Brooke Foster
City Council

Glen Vest
City Council

Linda Alban
City Council

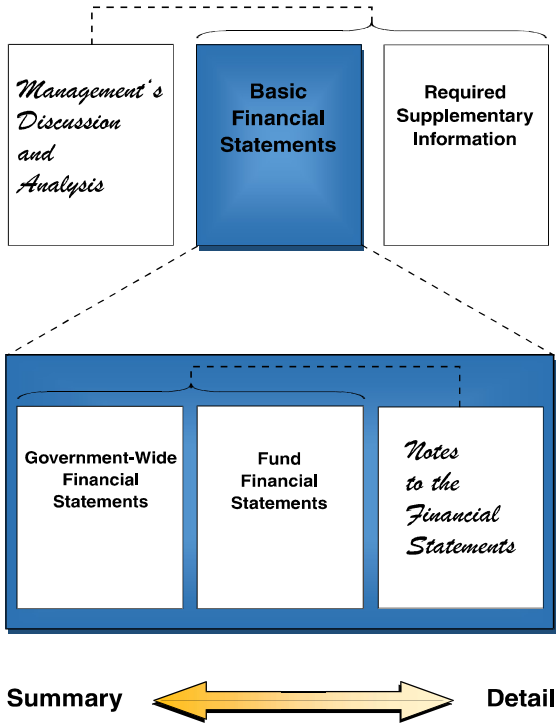
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $3,246,578 (Net Position). Of this amount, $949,884 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by $482,121.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $772,843. Of this amount, $539,601 is unassigned and available for use within the City's fund designation and fiscal policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $539,601, or 40.75% of the total general fund expenditures.
- The City's outstanding long-term debt decreased by $164,324.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

FIGURE A-2 MAJOR FEATURES OF THE CITY'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS			
Type of Statement	**Government-Wide**	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City's (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.
Required financial statements	• Statement of net position	• Balance sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures and changes in fund balances	• Statement of revenues, expenses and changes in fund net position
			• Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of flow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two types of funds:

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

- Proprietary funds—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-Wide Statements, provide both long-term and short-term financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by $3,246,578 as of June 30, 2025.

The largest portion of the City's net position, 62%, or $2,008,531, reflects its investments in capital assets (e.g., land, building, equipment, vehicles, improvements, and infrastructure), less any outstanding debt used in acquiring those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to repay these liabilities.

CITY OF BROWNSBORO'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	$ 886,670	$ 1,244,954	$ 612,755	$ 580,357	$ 1,499,425	$ 1,825,311
Capital Assets	2,429,897	2,352,754	1,853,214	1,498,934	4,283,111	3,851,688
Total Assets	3,316,567	3,597,708	2,465,969	2,079,291	5,782,536	5,676,999
Total Deferred Outflows of Resources	59,066	59,503	17,193	18,790	76,259	78,293
Current Liabilities	181,273	140,727	173,039	251,095	354,312	391,822
Non-Current Liabilities	1,609,113	1,634,383	630,990	762,341	2,240,103	2,396,724
Total Liabilities	1,790,386	1,775,110	804,029	1,013,436	2,594,415	2,788,546
Total Deferred Inflows of Resources	10,765	159,025	7,037	43,264	17,802	202,289
Net Position:						
Invested in Capital Assets, Net of Related Debt	845,317	797,043	1,163,214	643,934	2,008,531	1,440,977
Restricted	185,654	471,208	102,509	61,182	288,163	532,390
Unrestricted	543,511	454,825	406,373	336,265	949,884	791,090
Total Net Position	$ 1,574,482	$ 1,723,076	$ 1,672,096	$ 1,041,381	$ 3,246,578	$ 2,764,457

A portion of net position, $40,553, is restricted for municipal court security and technology enhancements, in addition to $106,112 held for retirement of long-term debt and $141,498 restricted for capital improvements. The remaining balance of unrestricted net position, $949,884, may be used to meet the government's ongoing obligations to citizens and creditors.

As of June 30, 2025, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities. In the prior fiscal year, the City also reported overall positive balances in all three categories of net position.

Analysis of the City's Operations - Overall the City had a increase in net position of $482,121.

Governmental Activities: Net position for the governmental activities decreased by $148,594. Net position invested in capital assets, net of related debt, increased by $48,274 due to capital asset acquisitions being more than depreciation expenses and liquidation of long-term debt. The remaining change in net position is due to higher-than-expected expenditures.

Total revenues for the governmental activities increased from the previous year by $99,888, primarily due to higher-than-expected collections of sales taxes during the current year. General revenue increased $61,904 during 2025, primarily due to prior year grant receipts.

Business-type Activities: Net position from business-type activities Increased by $630,715. This increase was primarily due to interfund transfers of funds used in the acquisition of capital assets.

The following table provides a summary of the City's operations for the year ended June 30, 2025.

CITY OF BROWNSBORO'S CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Operating Revenues:						
Charges for Services	$ 386,583	$ 348,599	$ 704,225	$ 611,078	$ 1,090,808	$ 959,677
Other	-	-	5,779	295	5,779	295
General Revenues:						
Taxes	915,466	845,479	-	-	915,466	845,479
Miscellaneous	1,364	9,447	-	-	1,364	9,447
Total Revenues	1,303,413	1,203,525	710,004	611,373	2,013,417	1,814,898
Expenses:						
General Government	1,121,104	1,033,484	-	-	1,121,104	1,033,484
Water and Sewer	-	-	585,870	509,108	585,870	509,108
Total Expenses	1,121,104	1,033,484	585,870	509,108	1,706,974	1,542,592
Increase (Decrease) in Total Revenues	182,309	170,041	124,134	102,265	306,443	272,306
NONOPERATING REVENUES (EXPENSES)						
Interest Income	1,936	1,827	1,679	1,315	3,615	3,142
Pension Earnings	170,665	-	39,981	-	210,646	-
Bond Interest Expense	-	-	(38,583)	(42,990)	(38,583)	(42,990)
Total Non-operating Expense	172,601	1,827	3,077	(41,675)	175,678	(39,848)
OTHER FINANCING SOURCES (USES)						
Operating Transfers from Other Funds	5,065	3,750	503,504	518,199	508,569	521,949
Operating Transfers to Other Funds	(508,569)	(521,949)	-	-	(508,569)	(521,949)
Total Other Financing Sources (Uses)	(503,504)	(518,199)	503,504	518,199	-	-
Change in Net Position	(148,594)	(346,331)	630,715	578,789	482,121	232,458
Net Position – Beginning	1,723,076	2,069,407	1,041,381	462,592	2,764,457	2,531,999
Net Position – Ending	$ 1,574,482	$ 1,723,076	$ 1,672,096	$ 1,041,381	$ 3,246,578	$ 2,764,457

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $772,843; of this total amount, $539,601, constitutes a surplus in unassigned fund balance.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

In the general fund, the City's original budget planned for no increase or decrease in the fund balance on a budget basis. The City did not pass any budget amendments during the fiscal year ending 2025.

Actual revenues in all categories were higher than the final budgeted amounts by a total of $17,831. Actual expenditures not including transfers were higher than final budgeted amounts by a total of $301,153.

After considering operating transfers, the City had an unfavorable variance of $305,009 where surplus general fund unassigned fund balances were used to supplement excess expenditures.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to $4,283,111 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, vehicles, and infrastructure. The total increase in capital assets for the current fiscal year was $431,423, or 10.07% and due to capital asset acquisitions exceeding depreciation expenditures.

Major capital asset additions during fiscal year 2025 included $9,266 for a lift station, $372,560 for sewer plant and detention pond construction, and $155,022 for police vehicles.

CAPITAL ASSETS AT YEAR-END AND ACCUMULATED DEPRECIATION

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 36,690	$ 36,690	$ 391,121	$ 391,121	$ 427,811	$ 427,811
Building	331,396	331,396	-	-	331,396	331,396
Machinery and Equipment	937,510	789,081	255,119	255,119	1,192,629	1,044,200
Right-to-use lease agreements	6,593	-	-	-	6,593	-
Water and Sewer System	-	-	2,969,421	2,923,329	2,969,421	2,923,329
Infrastructure	2,698,758	2,658,758	-	-	2,698,758	2,658,758
Construction in Progress	-	-	648,435	275,875	648,435	275,875
Accumulated Depreciation	(1,581,050)	(1,463,171)	(2,410,882)	(2,346,510)	(3,991,932)	(3,809,681)
Total	$ 2,429,897	$ 2,352,754	$ 1,853,214	$ 1,498,934	$ 4,283,111	$ 3,851,688

Additional information on the City's capital assets can be found in Note 2 on pages 41 and 42 in the notes of this report.

DEBT ADMINISTRATION

The City had total debt and other long-term liabilities of $2,488,766 as of June 30, 2025. At the end of the current fiscal year, the City issued no additional debt.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Certificates of Obligation	$ 1,463,000	$ 1,553,000	$ 690,000	$ 855,000	$ 2,153,000	$ 2,408,000
Notes Payable	120,235	-	-	-	120,235	-
Copier Lease	1,345	2,711	-	-	1,345	2,711
Net Pension Liability	133,702	156,429	62,163	67,487	195,865	223,916
Net OPEB Liability	13,494	13,609	4,827	4,854	18,321	18,463
Total	$ 1,731,776	$ 1,725,749	$ 756,990	$ 927,341	$ 2,488,766	$ 2,653,090

During the fiscal year, the City's long-term debt decreased by $164,324, or 6.60%. The decrease was primarily due to the following:

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

Additional information on the City's long term-debt can be found in note 2 on pages 43 and 44 in the notes of this report.

REQUEST FOR INFORMATION

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

Basic Financial Statements

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Government-Wide Financial Statements

CITY OF BROWNSBORO, TEXAS
STATEMENT OF NET POSITION
JUNE 30, 2025

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT
ASSETS				
Cash and cash equivalents	$ 533,555	$ 443,491	$ 977,046	$ 159,037
Investments	-	-	-	177,151
Receivables (net of allowances):	119,558	30,588	150,146	18,530
Prepaid items	-	-	-	29,400
Restricted cash	233,242	138,676	371,918	-
Due from other funds	315	-	315	-
Capital assets:				
Land and other non-depreciated assets	36,690	1,039,556	1,076,246	-
Other capital assets - net of depreciation	2,393,207	813,658	3,206,865	100,851
Total Assets	3,316,567	2,465,969	5,782,536	484,969
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	55,898	16,308	72,206	-
Deferred outflows from OPEB	3,168	885	4,053	-
Total Deferred Outflows of Resources	59,066	17,193	76,259	-
LIABILITIES				
Accounts payable and accrued liabilities	58,610	6,861	65,471	-
Accrued interest	-	4,011	4,011	-
Customer deposits	-	36,167	36,167	-
Due to other funds	-	-	-	315
Long-term liabilities:				
Due within one year	122,663	126,000	248,663	-
Due in more than one year	1,609,113	630,990	2,240,103	-
Total Liabilities	1,790,386	804,029	2,594,415	315
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	4,235	5,487	9,722	-
Deferred inflows from OPEB	6,530	1,550	8,080	-
Total Deferred Inflows of Resources	10,765	7,037	17,802	-
NET POSITION				
Investment in capital assets, net of related debt	845,317	1,163,214	2,008,531	100,851
Restricted for retirement of long-term debt	106,112	-	106,112	-
Restricted for court security and technology	40,553	-	40,553	-
Restricted for capital improvements	38,989	102,509	141,498	-
Unrestricted	543,511	406,373	949,884	383,803
Total Net Position	$ 1,574,482	$ 1,672,096	$ 3,246,578	$ 484,654

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

CITY OF BROWNSBORO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: GOVERNMENTAL ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: BUSINESS-TYPE ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: TOTAL	COMPONENT UNIT: ECONOMIC DEVELOPMENT
Primary government:							
Governmental activities:							
General government	$ 445,726	$ 1,950	$ -	$ (443,776)	$ -	$ (443,776)	
Municipal court	85,928	298,544	-	212,616	-	212,616	
Public safety	267,724	-	-	(267,724)	-	(267,724)	
Highways and streets	135,577	-	-	(135,577)	-	(135,577)	
Sanitation	75,541	86,089	-	10,548	-	10,548	
Parks and recreation	88,062	-	-	(88,062)	-	(88,062)	
Maintenance	22,546	-	-	(22,546)	-	(22,546)	
Total governmental activities	1,121,104	386,583	-	(734,521)	-	(734,521)	
Business-type activities:							
Water and sewer	624,453	704,225	-	-	79,772	79,772	
Total business-type activities	624,453	704,225	-	-	79,772	79,772	
Total primary government	$ 1,745,557	$ 1,090,808	$ -	(734,521)	79,772	(654,749)	
Component unit:							
Brownsboro Economic Development Corporation	16,131	445	$ -				$ (15,686)
Total component unit	$ 16,131	$ 445	$ -				(15,686)
General revenues:							
Sales taxes				353,113	-	353,113	117,704
Property taxes				503,946	-	503,946	-
Franchise taxes				58,407	-	58,407	-
Investment earnings				1,936	1,679	3,615	4,376
Miscellaneous local and intermediate revenue				1,364	5,779	7,143	-
Pension earnings				170,665	39,981	210,646	-
Transfers				(503,504)	503,504	-	-
Total general revenues and transfers				585,927	550,943	1,136,870	122,080
Change in net position				(148,594)	630,715	482,121	106,394
Net position - beginning, as restated				1,723,076	1,041,381	2,764,457	378,260
Net position - ending				$ 1,574,482	$ 1,672,096	$ 3,246,578	$ 484,654

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

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Fund Financial Statements

CITY OF BROWNSBORO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	MAJOR FUNDS		NONMAJOR	TOTAL
	GENERAL	DEBT SERVICE	GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
ASSETS				
Cash	$ 533,555	$ -	$ -	$ 533,555
Receivables (net of allowances):				
Sales taxes	55,590	-	-	55,590
Property taxes	29,534	-	-	29,534
Fines and forfeitures	25,683	-	-	25,683
Sanitation fees	7,947	-	-	7,947
Other	804	-	-	804
Due from other funds	315	-	-	315
Restricted cash	88,141	106,112	38,989	233,242
Total assets	$ 741,569	$ 106,112	$ 38,989	$ 886,670
LIABILITIES				
Accounts payable	$ 46,468	$ -	$ -	$ 46,468
Accrued liabilities	12,142	-	-	12,142
Total liabilities	58,610	-	-	58,610
DEFERRED INFLOWS (OF RESOURCES)				
Property taxes	25,683	-	-	25,683
Fines, forfeitures, and warrants	29,534	-	-	29,534
Total deferred inflows	55,217	-	-	55,217
FUND BALANCES				
Restricted:				
Retirement of long-term debt	-	106,112	-	106,112
Capital improvements	-	-	38,989	38,989
Court security and technology	40,553	-	-	40,553
Committed:				
Vehicle replacement	47,588	-	-	47,588
Unassigned	539,601	-	-	539,601
Total fund balances	627,742	106,112	38,989	772,843
Total liabilities, deferred inflows and fund balances	$ 741,569	$ 106,112	$ 38,989	$ 886,670

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

CITY OF BROWNSBORO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

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

Total fund balances - governmental funds	$	772,843
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the governmental funds balance sheet.		2,429,897
Long-term pension liability, which is based on GASB 68 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:		
Net pension liability		(156,429)
Deferred outflows, related to pension		55,898
Deferred inflows, related to pension		(4,235)
Long-term OPEB liability, which is based on GASB 75 reporting requirements, is not due and payable in the current period and therefore is not reported in the governmental fund financial statements:		
Net OPEB liability		(13,609)
Deferred outflows, related to OPEB		3,168
Deferred inflows, related to OPEB		(6,530)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported on the governmental funds balance sheet.		(1,561,738)
Outstanding fines, forfeitures and warrants are a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.		29,534
Delinquent property taxes receivable is a long-term asset and not available to pay for current period expenditures and therefore is deferred in the funds.		25,683
Net position of governmental activities	$	1,574,482

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

CITY OF BROWNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	MAJOR FUNDS		NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE		
REVENUES				
Taxes:				
Sales	$ 353,113	$ -	$ -	$ 353,113
Property	193,970	308,825	-	502,795
Franchise	58,407	-	-	58,407
Fines and forfeitures	302,794	-	-	302,794
Sanitation services	86,089	-	-	86,089
Licenses and permits	1,950	-	-	1,950
Interest income	844	1,092	-	1,936
Miscellaneous	1,364	-	-	1,364
Total revenues	998,531	309,917	-	1,308,448
EXPENDITURES				
General government	384,102	-	2,635	386,737
Municipal court	85,928	-	-	85,928
Public safety	259,967	-	-	259,967
Highways and streets	43,280	-	-	43,280
Sanitation	75,541	-	-	75,541
Parks and recreation	77,952	-	-	77,952
Maintenance	22,546	-	-	22,546
Debt service	179,752	-	-	179,752
Capital outlay	195,022	-	-	195,022
Total expenditures	1,324,090	-	2,635	1,326,725
Excess (deficiency) of revenues over (under) expenditures	(325,559)	309,917	(2,635)	(18,277)
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	-	-	5,065	5,065
Operating transfers to other funds	(179,034)	(329,535)	-	(508,569)
Loan proceeds for capital purchases	157,347	-	-	157,347
Total other financing sources (uses)	(21,687)	(329,535)	5,065	(346,157)
Net change in fund balances	(347,246)	(19,618)	2,430	(364,434)
Fund balances - beginning of year	974,988	125,730	36,559	1,137,277
Fund balances - end of year	$ 627,742	$ 106,112	$ 38,989	$ 772,843

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

CITY OF BROWNSBORO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

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

Net change in fund balances - total governmental funds	$	(364,434)
The depreciation of capital assets used in governmental activities is not reported in the funds.		(117,879)
Net delinquent property tax collections provide current financial resources to the funds (but has no effect on net assets).		1,151
The portion of fines, forfeitures and warrants receivable which are measurable and available are recognized as revenue in the funds. The remainder of the receivables are deferred and, therefore, are not reported in the governmental activities.		(4,250)
Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as expenditures in governmental funds:		
GASB 68 Pension adjustments		166,924
GASB 75 Other post employment benefit adjustments		3,741
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statement of activities.		195,022
Increases in long-term liabilities on capital assets should be shown as an expenditure in the government-wide statement of activities, however, current financial resources are not consumed in the governmental funds.		(155,022)
Repayments of loan principal consumes the current financial resources of the governmental funds which report the effect as an expenditure, however, there is no expense on the statement of activities.		126,153
Change in net position of governmental activities	$	(148,594)

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

CITY OF BROWNSBORO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
ASSETS	WATER & SEWER
Current assets:	
Cash	$ 443,491
Accounts receivable (net)	30,588
Total current assets	474,079
Noncurrent assets:	
Restricted cash	138,676
Capital assets:	
Land	391,121
Construction in progress	648,435
Water and sewer system	2,969,421
Machinery and equipment	255,119
Less: accumulated depreciation	(2,410,882)
Total noncurrent assets	1,991,890
Total assets	2,465,969
DEFERRED OUTFLOWS (OF RESOURCES)	
Deferred outflows from pensions	16,308
Deferred outflows from OPEB	885
Total deferred outflows	17,193
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	6,861
Accrued interest	4,011
Customer deposits	36,167
Certificates of obligation	126,000
Total current liabilities	173,039
Non-current liabilities:	
Certificates of obligation	564,000
Pension liability	62,163
OPEB liability	4,827
Total liabilities	804,029
DEFERRED INFLOWS (OF RESOURCES)	
Deferred inflows from pensions	5,487
Deferred inflows from OPEB	1,550
Total deferred inflows	7,037
NET POSITION	
Investment in capital assets, net of related debt	1,163,214
Restricted for capital improvements	102,509
Unrestricted	406,373
Total net position	$ 1,672,096

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

CITY OF BROWNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	WATER & SEWER
OPERATING REVENUES	
Service charges	$ 704,225
Other	5,779
Total operating revenues	710,004
OPERATING EXPENSES	
Personnel services	183,423
Contract labor	159,237
Depreciation	64,372
Equipment and maintenance	34,950
Utilities	38,054
Chemicals and supplies	61,824
Professional fees	24,107
Training and education	6,479
Analysis and lab fees	8,127
Other	5,297
Total operating expenses	585,870
Operating income	124,134
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,679
Pension earnings	39,981
Bond interest expense	(38,583)
Total nonoperating expenses	3,077
Income before operating transfers	127,211
TRANSFERS	
Transfers in	503,504
Total transfers	503,504
Change in net position	630,715
Net position - beginning of year	1,041,381
Net position - end of year	$ 1,672,096

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

CITY OF BROWNSBORO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	WATER & SEWER
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 704,225
Other cash receipts	5,779
Payments to suppliers for goods and services	(409,160)
Payments to employees for services	(189,902)
Net cash provided by operating activities	110,942
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers-in from other funds	503,504
Net cash provided by non-capital financing activities	503,504
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(46,092)
Construction and transfer of capital assets	(372,560)
Principal repayments on debt	(165,000)
Interest on debt	(38,583)
Net cash used in capital and related financing activities	(622,235)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	1,679
Pension earnings	39,981
Net cash provided by investing activities	41,660
Net increase in cash and cash equivalents	33,871
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	548,296
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 582,167
Reconciliation of Operating Income to Net Cash provided by Operating Activities	
Operating income	$ 124,134
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	64,372
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	293
Decrease (increase) in prepaid expenses	1,180
Decrease (increase) in deferred outflows	1,597
Increase (decrease) in accounts payable	(7,336)
Increase (decrease) in accrued interest	(1,262)
Increase (decrease) in customer deposits	(30,458)
Increase (decrease) in pension liability	(5,324)
Increase (decrease) in OPEB liability	1,523
Increase (decrease) in deferred outflows	(37,777)
Total adjustments	(13,192)
Net cash provided by operating activities	$ 110,942

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

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

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

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2025.

Discretely Presented Component Unit

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

The Brownsboro Economic Development Corporation, Inc. (Type B) was formed in 2005, and is governed by a nine-member board of directors, which includes the City's council members. For financial reporting purposes, the Brownsboro Economic Development Corporation, Inc. has been presented as a discrete component unit of the City. Its purpose is to account for construction activities funded by the revenues generated by the one-half cent sales tax. The Brownsboro Economic Development Corporation, Inc. does not issue separate financial statements.

Government-Wide and Fund Financial Statements

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government-Wide and Fund Financial Statements - continued

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

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary fund:

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

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

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

Property Taxes Receivable are shown net of an allowance for uncollectibles. The allowance is equal to zero (0) percent of delinquent property taxes receivable at June 30, 2025. The City's ad valorem taxes are levied on October 1 but do not become due until January 1 of the following year. Taxes become past due February 1 and become delinquent June 30. The City's taxes become a lien on real property on the due date of January 1. This lien is effective until the taxes are paid.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Capital Assets

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Fund Balance Classification

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

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

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

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

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Deferred Outflows/Inflows of Resources

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

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

Statement of Cash Flows

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

Stewardship, Compliance, and Accountability

Budgetary Data

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

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

Expenditures in Excess of Budgeted Amounts

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

Department	Expenditures	Budget	Variance
General government	$ 384,102	$ 334,409	$ (49,693)
Municipal court	$ 85,928	$ 82,697	$ (3,231)
Sanitation	$ 75,541	$ 75,000	$ (541)
Debt service	$ 179,752	$ -	$ (179,752)
Capital outlay	$ 195,022	$ -	$ (195,022)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

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

NOTE 2: DETAILED NOTES ON ALL FUNDS

Deposits

The City's balances were completely covered by federal deposit insurance or collateralized at June 30, 2025. The City's deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

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

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

Category 3 - Uncollateralized.

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

Primary Government	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
Governmental activities:					
General fund	$ 621,696	$ 250,000	$ 371,696	$ -	$ 621,696
Debt service fund	106,112	-	106,112	-	106,112
Grant fund	9,432	-	9,432	-	9,432
Capital projects fund	29,557	-	29,557	-	29,557
Governmental activities:					
Water and sewer fund	582,167	-	582,167	-	582,167
Total	1,348,964	250,000	1,098,964	-	1,348,964
Component Unit					
Economic development	159,037	159,037	-	-	159,037
Total	$ 1,508,001	$ 409,037	$ 1,098,964	$ -	$ 1,508,001

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Investments

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

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City did adhere to the requirements of the Act.

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

The City's certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC currently insures the first $250,000 of the City's deposits at each financial institution. Deposit balances over $250,000 are insured by the collateral pool. As of June 30, 2025, the carrying amount of the City's certificates of deposit was $177,151.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage during the year ending June 30, 2025.

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

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Property Tax

The assessed valuation (net of exemptions) was $98,358,201 for 2024 (with taxes due January 1, 2025) levied at a rate of $0.550889 per hundred-dollar valuation.

Receivables

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

Receivables	Primary Government General Fund	Business-Type Water & Sewer Fund	Total	Component Unit Economic Development
Accounts	$ -	$ 56,527	$ 56,527	$ -
Sales taxes	55,590	-	55,590	18,530
Property taxes	53,441	-	53,441	-
Fines and forfeitures	514,116	-	514,116	-
Sanitation fees	7,947	-	7,947	-
Other	804	-	804	-
Gross receivables	631,898	56,527	688,425	18,530
Less: Allowance for uncollectables	(512,340)	(25,939)	(538,279)	-
Total	$ 119,558	$ 30,588	$ 150,146	$ 18,530

Interfund Transfers

Transfers are indicative of funding for capital projects, debt service, and subsidies of various City operations. The composition of inter-fund transfers from/to other funds as of June 30, 2025, is as follows:

Funds	Transfers in	Transfers out
General fund	$ -	$ 179,034
Debt service fund	-	329,535
Capital projects fund	5,065	-
Proprietary fund	503,504	-
Total	$ 508,569	$ 508,569

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets

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

Primary Government	Balance 6/30/2024	Additions	Deletions	Balance 6/30/2025
Governmental activities				
Non-depreciable assets:				
Land	$ 36,690	$ -	$ -	$ 36,690
Depreciable assets:				
Buildings and improvements	331,396	-	-	331,396
Infrastructure	2,658,758	40,000	-	2,698,758
Machinery and equipment	782,488	155,022	-	937,510
Right-to-use software arrangements	-	-	-	-
Right-to-use lease agreements	6,593	-	-	6,593
Accumulated depreciation	(1,463,171)	(117,879)	-	(1,581,050)
Governmental activities, net	2,352,754	77,143	-	2,429,897
Business-type activities				
Non-depreciable assets:				
Land	391,121	-	-	391,121
Construction in progress	275,875	372,560	-	648,435
Depreciable assets:				
Water and sewer system	2,923,329	46,092	-	2,969,421
Machinery and equipment	255,119	-	-	255,119
Accumulated depreciation	(2,346,510)	(64,372)	-	(2,410,882)
Business-type activities, net	1,498,934	354,280	-	1,853,214
Capital assets, net	$ 3,851,688	$ 431,423	$ -	$ 4,283,111

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

General government	$ 5,390
Public safety	10,082
Highways and streets	92,297
Parks and recreation	10,110
Total depreciation expense	$ 117,879

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets – continued

Component Unit	Balance 6/30/2024	Additions	Deletions	Balance 6/30/2025
Depreciable assets:				
Buildings and improvements	$ 66,870	$ -	$ -	$ 66,870
Equipment	26,920	18,700	-	45,620
Accumulated depreciation	(4,026)	(7,613)	-	(11,639)
Capital assets, net	$ 89,764	$ 11,087	$ -	$ 100,851

Related Parties

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

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. No reportable litigation was pending against the City as of June 30, 2025.

Economic Dependence

The City's operations are funded by taxes and revenues collected from the residents of the City of Brownsboro, Texas. Accordingly, the City is economically dependent on the property values and the local economy of the City and surrounding area.

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities

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

Governmental Activities	Maturity Date	Interest Rate	Original Amount	Yearend Balance
Series 2018 Certificate of Obligation	6/15/2038	3.26-3.54%	$ 2,041,000	$ 1,463,000
Note Payable - Vehicles	6/23/0229	3.65%	155,022	120,235
Business-Type Activities				
Series 2023 Limited Tax Note	5/15/2030	4.65%	925,000	690,000
			Total	$ 2,273,235

The changes in the general long-term debt as of June 30, 2025 are as follows:

Governmental Activities	Balance 6/30/2024	Additions	Reductions	Balance 6/30/2025	Due Within One Year
Certificates of obligation	$ 1,553,000	$ -	$ (90,000)	$ 1,463,000	$ 93,000
Notes payable	-	155,022	(34,787)	120,235	28,318
Copier lease	2,711	-	(1,366)	1,345	1,345
Net pension liability	156,429	-	(22,727)	133,702	-
Net OPEB liability	13,609	-	(115)	13,494	-
Business-Type Activities					
Certificates of obligation	855,000	-	(165,000)	690,000	126,000
Net pension liability	67,487	-	(5,324)	62,163	-
Net OPEB liability	4,854	-	(27)	4,827	-
Total	$ 2,653,090	$ 155,022	$ (319,346)	$ 2,488,766	$ 248,663

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Long-Term Liabilities – continued

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

Year Ending	Governmental Activities		Business-Type Activities		
June 30	Principal	Interest	Principal	Interest	Total
2026	$ 121,318	$ 55,938	$ 126,000	$ 32,085	$ 142,403
2027	125,813	51,411	131,000	26,226	142,469
2028	130,386	46,709	138,000	20,135	142,437
2029	132,718	41,824	144,000	13,718	142,308
2030	105,000	36,755	151,000	7,021	141,755
2031-2035	574,000	130,046	-	-	704,046
2036-2038	394,000	28,214	-	-	422,214
Total	$ 1,583,235	$ 390,897	$ 690,000	$ 99,185	$ 1,837,632

Leases

Lease agreements are summarized as follows:

Governmental Activities	Lease Date	Payment Terms	Payment Amount	Interest Rate	Orignal Lease Amount	Yearend Balance
Xerox machine	8/17/2021	60 months	$ 121	4.00%	$ 6,594	$ 1,345

The Xerox machine was leased for the City Hall Administration, beginning August 17, 2021 for a term of sixty (60) months or five years at a fixed interest rate of 4.00%. This lease is renewable and the City will not acquire the equipment at the end of the five years.

The lease terms include an all-inclusive cost per copy maintenance agreement for toner, parts, labor, and supplies (excluding paper), with all black/white copies billed at a rate of $0.0056 each and color copies at a rate of $0.0506 each.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending	Governmental Activities Lease Payment Schedule		
June 30	Principal	Interest	Total
2026	$ 1,224	$ 36	$ 1,260
2027	121	-	121
Total	$ 1,345	$ 36	$ 1,381

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Prepaid Lease

The Brownsboro Economic Development Corporation, Inc. (EDC) entered into a 100-year lease agreement in the amount of $30,000, effective June 21, 2022, with the Heirs of Marie Tedford. The EDC, as lessee, agreed to prepay the entirety of the lease term for the use of the land and improvement, construction, or removal of buildings. The prepayment will be expended over the life of the lease term using a straight-line method or $300 per year.

Texas Municipal Retirement System Plan

Plan Description – The City participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

Plan provisions for the City were as follows:

Plan Year	2024	2023
Employee deposit rate	5%	5%
Matching ratio (City to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/25
Updated service credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Employees covered by benefit terms:

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	3
Active employees	7
Total	12

Contributions – Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.76% and 12.27% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended June 30, 2025 were $25,383, and were equal to the required contributions.

Net Pension Liability – The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

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

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

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Actuarial assumptions – continued:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Other Public and Private Markets	10.00%	6.65%
Real Estate	12.00%	6.70%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Total	100.00%	

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

Discount rate:

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

Changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	$ 509,858	$ 285,942	$ 223,916
Changes for the year:			
Service cost	$ 25,783	$ -	$ 25,783
Interest	33,982	-	33,982
Change of benefit terms	-	-	-
Difference between expected and actual experience	3,493	-	3,493
Changes of assumptions	-	-	-
Contributions - employer	-	42,581	(42,581)
Contributions - employee	-	18,875	(18,875)
Net investment income	-	30,048	(30,048)
Benefit payments, including refunds of employee contributions	(38,615)	(38,615)	-
Administrative expense	-	(191)	191
Other changes	-	(4)	4
Net changes	24,643	52,694	(28,051)
Balance at 12/31/2024	$ 534,501	$ 338,636	$ 195,865

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

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

	1% Decrease in Discount Rate 5.75%	Current Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability (asset)	$ 245,020	$ 195,865	$ 154,161

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 tmrs.com.

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

For the year ended June 30, 2025, the City recognized pension earnings of $206,028.

At June 30, 2025, 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	$ 6,230	$ 4,215
Changes in actuarial assumptions and other inputs	-	335
Difference between projected and actual investment earnings	-	5,172
Contributions subsequent to the measurement date	65,976	-
Total	$ 72,206	$ 9,722

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

Texas Municipal Retirement System Plan – continued

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

The amount of $65,976 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2025. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:		
2025	$	563
2026		2,491
2027		(4,400)
2028		(2,146)
2029		-
Thereafter		-
Total	$	(3,492)

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

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

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

Benefits Provided – The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

Employees covered by benefit terms:
At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	7
Total	9

Contributions – The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The SDBF contribution rates for the City were 0.78% and 0.99% in calendar years 2023 and 2024, respectively.

Schedule of contributions:

Plan Year	2024	2023
Total SDB Contribution (Rate)	0.99%	0.78%
Retiree Portion of SDB Contribution (Rate)	0.00%	0.00%

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

Actuarial assumptions:

Summary of actuarial assumptions:	
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	4.08%
Retirees' share of benefit-related costs	$0.00
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
*The discount rate was based on the Bond Buyer "20-Bond GO Index" rate closest to, but not later than December 31, 2024.	

Changes in the OPEB liability:

	Total OPEB Liability
Balance at 12/31/2023	$ 18,463
Changes for the year:	
Service cost	$ 1,963
Interest	733
Change of benefit terms	-
Difference between expected and actual experience	(2,075)
Changes of assumptions	(763)
Benefit payments	-
Net changes	(142)
Balance at 12/31/2024	$ 18,321

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

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

	1% Decrease in Discount Rate 3.08%	Current Rate Assumption 4.08%	1% Increase in Discount Rate 5.08%
City's net pension liability (asset)	$ 21,041	$ 18,321	$ 16,080

OPEB expense:

	OPEB Expense
Service cost	$ 1,963
Interest	733
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources:	-
Differences between expected and actual experience	(2,301)
Changes of assumptions	(200)
Total OPEB expense	$ 195

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

At June 30, 2025, 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	$ -	$ 6,494
Changes in actuarial assumptions and other inputs	-	1,586
Contributions subsequent to the measurement date	4,053	-
Total	$ 4,053	$ 8,080

NOTE 2: DETAILED NOTES ON ALL FUNDS – continued

(OPEB): Supplemental Death Benefits Fund – continued

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

Year ended December 31:		
2025	$	(2,616)
2026		(2,029)
2027		(2,137)
2028		(1,298)
2029		-
Thereafter		-
Total	$	(8,080)

Accounting Standards

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

GASB Statement No. 101 – "*Compensated Absences."* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement will become effective for fiscal years beginning after December 15, 2023. All applicable provisions have been included in the City's financial statements as of June 30, 2025.

GASB Statement No. 102 – "*Certain Risk Disclosures."* The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The Statement will become effective for fiscal years beginning after June 15, 2024. All applicable provisions have been included in the City's financial statements as of June 30, 2025.

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

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

NOTE 2: DETAILED NOTES ON ALL FUNDS - continued

Accounting Standards – continued

GASB Statement No. 104 – "*Disclosure of Certain Capital Assets."* T The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 105 – *"Subsequent Events."* The objective of this statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this statement are effective for fiscal years beginning after June 15, 2026. Management has not yet determined the impact of this Statement on its financial statements.

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

The City did not expend $750,000 or more in federal or state awards during 2025. As a result, a Single Audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular was not required for the year ended June 30, 2025.

Subsequent Events

Management has evaluated subsequent events through July 27, 2026, which is the date the financial statements were made available to management.

Required Supplementary Information

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CITY OF BROWNSBORO, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET FAVORABLE
	ORIGINAL	FINAL	ACTUAL	(UNFAVORABLE)
REVENUES				
Taxes:				
Sales	$ 330,000	$ 330,000	$ 353,113	$ 23,113
Property	190,000	190,000	193,970	3,970
Franchise	50,000	50,000	58,407	8,407
Fines and forfeitures	300,000	300,000	302,794	2,794
Sanitation services	85,000	85,000	86,089	1,089
Licenses and permits	20,200	20,200	1,950	(18,250)
Interest income	500	500	844	344
Miscellaneous	5,000	5,000	1,364	(3,636)
Total revenues	980,700	980,700	998,531	17,831
EXPENDITURES				
General government	334,409	334,409	384,102	(49,693)
Municipal court	82,697	82,697	85,928	(3,231)
Public safety	333,658	333,658	259,967	73,691
Highways and streets	100,000	100,000	43,280	56,720
Sanitation	75,000	75,000	75,541	(541)
Parks and recreation	97,173	97,173	77,952	19,221
Maintenance	-	-	22,546	(22,546)
Debt service	-	-	179,752	(179,752)
Capital outlay	-	-	195,022	(195,022)
Total expenditures	1,022,937	1,022,937	1,324,090	(301,153)
Excess (deficiency) of revenues over (under) expenditures	(42,237)	(42,237)	(325,559)	(283,322)
OTHER FINANCING SOURCES (USES)				
Operating transfers to other funds	-	-	(179,034)	(179,034)
Loan proceeds for capital purchases	-	-	157,347	157,347
Total other financing sources	-	-	(21,687)	(21,687)
Excess (deficiency) of revenues & other sources over expenditures & other (uses)	$ (42,237)	$ (42,237)	$ (347,246)	$ (305,009)
Fund balance - beginning of year			974,988	
Fund balance - end of year			$ 627,742	

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

	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability								
Service cost	$ 25,783	$ 25,818	$ 25,344	$ 20,763	$ 21,564	$ 22,431	$ 25,010	$ 20,948
Interest (on the total pension liability)	33,982	32,552	31,102	29,858	28,657	26,435	29,879	26,845
Changes of benefit terms	-	-	-	-	-	-	-	387,238
Difference between expected and actual experience	3,493	(1,127)	(1,720)	(1,232)	(2,787)	10,821	(86,860)	-
Change of assumptions	-	(823)	-	-	-	88	-	-
Benefit payments, including refunds of employee contributions	(38,615)	(31,810)	(35,148)	(31,359)	(27,122)	(25,732)	(9,775)	-
Net change in total pension liability	24,643	24,610	19,578	18,030	20,312	34,043	(41,746)	435,031
Total pension liability - beginning	509,858	485,248	465,670	447,640	427,328	393,285	435,031	-
Total pension liability - ending (a)	$ 534,501	$ 509,858	$ 485,248	$ 465,670	$ 447,640	$ 427,328	$ 393,285	$ 435,031
Plan fiduciary net position								
Contributions - employer	$ 42,581	$ 42,588	$ 40,233	$ 33,596	$ 33,801	$ 35,357	$ 45,157	$ 37,800
Contributions - employee	18,875	18,105	18,419	15,494	16,238	16,445	18,256	15,291
Net investment income	30,048	26,970	(16,454)	23,909	11,312	16,439	(1,609)	-
Benefit payments, including refunds of employee contributions	(38,615)	(31,810)	(35,148)	(31,359)	(27,122)	(25,732)	(9,775)	-
Administrative expense	(191)	(170)	(141)	(110)	(72)	(92)	(31)	-
Other	(4)	(1)	167	1	(5)	(3)	(2)	-
Net change in plan fiduciary net position	52,694	55,682	7,076	41,531	34,152	42,414	51,996	53,091
Plan fiduciary net position - beginning	285,942	230,260	223,184	181,653	147,501	105,087	53,091	-
Plan fiduciary net position - ending (b)	$ 338,636	$ 285,942	$ 230,260	$ 223,184	$ 181,653	$ 147,501	$ 105,087	$ 53,091
Net pension liability - ending [(a) - (b)]	$ 195,865	$ 223,916	$ 254,988	$ 242,486	$ 265,987	$ 279,827	$ 288,198	$ 381,940
Plan fiduciary net position as a percentage of total pension liability	63.36%	56.08%	47.45%	47.93%	40.58%	34.52%	26.72%	12.20%
Covered employee payroll	$ 377,490	$ 362,107	$ 368,371	$ 309,888	$ 324,761	$ 328,906	$ 364,120	$ 305,815
Net pension liability as a percentage of covered employee payroll	51.89%	61.84%	69.22%	78.25%	81.90%	85.08%	79.15%	124.89%

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

	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	$ 46,583	$ 46,726	$ 39,585	$ 34,105	$ 34,637	$ 40,012	$ 46,267	$ 14,597
Contributions in relation to the actuarially determined contribution	46,583	46,726	39,585	34,105	34,637	40,012	46,267	14,597
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 377,490	$ 362,107	$ 368,371	$ 309,888	$ 324,761	$ 328,906	$ 364,120	$ 305,815
Contributions as a percentage of covered employee payroll	12.34%	12.90%	10.75%	11.01%	10.67%	12.17%	12.71%	4.77%

NOTES TO THE SCHEDULE OF CONTRIBUTIONS

Valuation Date:	
Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	9Years (longest amortization ladder)
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.5%
Salary increases	3.60% to 11.85% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experinence study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with
Other information:	
Notes	There were no benefit changes during the year.

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

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	$ 1,963	$ 2,136	$ 3,831	$ 3,099	$ 2,468	$ 1,875	$ 2,045
Interest (on the total OPEB liability)	733	680	415	410	473	452	499
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(2,075)	(841)	(2,785)	(2,352)	(2,343)	(893)	(4,599)
Change of assumptions	(763)	764	(6,399)	560	2,368	3,310	(771)
Benefit payments	-	-	-	-	-	-	-
Net change in total OPEB liability	(142)	2,739	(4,938)	1,717	2,966	4,744	(2,826)
Total OPEB liability - beginning	18,463	15,724	20,662	18,945	15,979	11,235	14,061
Total OPEB liability - ending	$ 18,321	$ 18,463	$ 15,724	$ 20,662	$ 18,945	$ 15,979	$ 11,235
Covered employee payroll	$ 377,490	$ 362,107	$ 368,371	$ 309,888	$ 324,761	$ 328,906	$ 365,113
Total OPEB liability as a percentage of covered employee payroll	4.85%	5.10%	4.27%	6.67%	5.83%	4.86%	3.08%

Supplementary Information

CITY OF BROWNSBORO, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	CAPITAL PROJECTS	GRANT	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Restricted cash	$ 29,557	9,432.00	$ 38,989
Total assets	$ 29,557	$ 9,432	$ 38,989
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Total liabilities	-	-	-
DEFERRED INFLOWS (OF RESOURCES)			
Property taxes	-	-	-
Fines, forfeitures, and warrants	-	-	-
Total deferred inflows	-	-	-
FUND BALANCES			
Restricted fund balance:			
Capital improvements	29,557	9,432	38,989
Unassigned fund balance	-	-	-
Total fund balances	29,557	9,432	38,989
Total liabilities, deferred inflows and fund balances	$ 29,557	$ 9,432	$ 38,989

CITY OF BROWNSBORO, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	CAPITAL PROJECTS	GRANTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes:			
Sales	$ -	$ -	$ -
Property	-	-	-
Franchise	-	-	-
Fines and forfeitures	-	-	-
Sanitation services	-	-	-
Licenses and permits	-	-	-
Interest income	-	-	-
Grant	-	-	-
Miscellaneous	-	-	-
Total revenues	-	-	-
EXPENDITURES			
General government	-	2,635	2,635
Municipal court	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Sanitation	-	-	-
Parks and recreation	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
Total expenditures	-	2,635	2,635
Excess (deficiency) of revenues over (under) expenditures	-	(2,635)	(2,635)
OTHER FINANCING SOURCES (USES)			
Operating transfers from other funds	5,065	-	5,065
Operating transfers to other funds	-	-	-
Total other financing sources (uses)	5,065	-	5,065
Net change in fund balances	5,065	(2,635)	2,430
Fund balances - beginning of year	24,492	12,067	36,559
Fund balances - end of year	$ 29,557	$ 9,432	$ 38,989

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Compliance and Internal Control

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DKG CPA
DAVID K. GODWIN
CERTIFIED PUBLIC ACCOUNTANT, PLLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Brownsboro, Texas (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 27, 2026.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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

Purpose of this Report

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

David K. Godwin, CPA, PLLC

Tyler, Texas
July 27, 2026