

PRELIMINARY OFFICIAL STATEMENT
Dated January 6, 2025

RATING:
S&P: “AA”
See “OTHER INFORMATION – Rating” herein.

NEW ISSUE - Book-Entry-Only

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.

THE BONDS WILL NOT BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS



\$38,305,000*
CITY OF BRYAN, TEXAS
(A Home Rule City located in Brazos County, Texas)
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2025

Dated Date: January 1, 2025

Due: July 1, as shown on inside cover

Interest Accrues from Delivery Date

PAYMENT TERMS . . . Interest on the \$38,305,000* City of Bryan, Texas Waterworks and Sewer System Revenue Bonds, Series 2025 (the “Bonds”) will accrue from the date of initial delivery (the “Delivery Date”), will be payable January 1 and July 1 of each year, commencing January 1, 2026, until maturity or earlier redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS - Book-Entry-Only System” herein. The initial Paying Agent/Registrar is Wilmington Trust, N.A., Dallas, Texas. See “THE BONDS - Paying Agent/Registrar”.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), Chapter 1502, Texas Government Code, as amended (“Chapter 1502”), and a bond ordinance (the “Bond Ordinance”) adopted by the City Council, and constitute special obligations of the City of Bryan, Texas (the “City”), payable, together with certain outstanding revenue bonds of the City and any parity obligations issued or incurred in the future, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the City’s Waterworks and Sewer System (the “Waterworks and Sewer System”). The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation. In the Bond Ordinance, the City Council delegated authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds to certain City officials (the “Pricing Officers”) who will approve a pricing certificate (the “Pricing Certificate”) which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate authorized therein are sometimes collectively referred to as the “Ordinance”) (see “THE BONDS – Authority for Issuance”).

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) constructing, improving, repairing, renovating, enlarging, extending and equipping the Waterworks and Sewer System, (ii) funding capitalized interest for the Bonds, if necessary, (iii) funding the reserve fund requirement for the Bonds, if necessary, and (iv) paying the costs of issuing the Bonds (see “THE BONDS” herein).

CUSIP PREFIX: 117622
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on inside cover

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser(s) (the “Purchaser”) and subject to the approving opinion of the Attorney General of Texas and the legal opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. See “APPENDIX D - Form of Bond Counsel’s Opinion”.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about February 13, 2025.

BIDS ON THE BONDS DUE TUESDAY, JANUARY 14, 2025 AT 9:30 AM, CENTRAL

* Preliminary, subject to change (see “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the Notice of Sale and Bidding Instructions for the Bonds).

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE*

| <u>Maturity July 1</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Initial Yield</u> | <u>CUSIP Suffix ⁽¹⁾</u> |
|----------------------------|-----------------------------|--------------------------|--------------------------|--|
| 2026 | \$ 700,000 | | | |
| 2027 | 1,355,000 | | | |
| 2028 | 1,410,000 | | | |
| 2029 | 1,460,000 | | | |
| 2030 | 1,520,000 | | | |
| 2031 | 1,585,000 | | | |
| 2032 | 1,645,000 | | | |
| 2033 | 1,715,000 | | | |
| 2034 | 1,780,000 | | | |
| 2035 | 1,855,000 | | | |
| 2036 | 1,925,000 | | | |
| 2037 | 2,005,000 | | | |
| 2038 | 2,080,000 | | | |
| 2039 | 2,170,000 | | | |
| 2040 | 2,255,000 | | | |
| 2041 | 2,345,000 | | | |
| 2042 | 2,450,000 | | | |
| 2043 | 2,560,000 | | | |
| 2044 | 2,680,000 | | | |
| 2045 | 2,810,000 | | | |

(Interest Accrues from Date of Initial Delivery)

* Preliminary, subject to change (see “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the Notice of Sale and Bidding Instructions for the Bonds).

(1) CUSIP numbers are included solely for convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor, nor the Purchaser take any responsibility for the accuracy of CUSIP numbers.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after July 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on July 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Bonds may be subject to mandatory redemption in the event the Purchaser elects to aggregate two or more maturities as Term Bonds (see “THE BONDS – Redemption Provisions”).

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document may be treated as an Official Statement of the City with respect to the Bonds described herein that has been deemed “final” by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Purchaser. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

IN CONNECTION WITH THIS OFFERING, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE AGREEMENTS OF THE CITY AND OTHERS RELATED TO THE BONDS ARE CONTAINED SOLELY IN THE CONTRACTS DESCRIBED HEREIN. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER STATEMENT MADE IN CONNECTION WITH THE OFFER OR SALE OF THE BONDS IS TO BE CONSTRUED AS CONSTITUTING AN AGREEMENT WITH THE PURCHASERS OF THE BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty, or other representation is made concerning the accuracy of completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and no opinions, estimates and assumptions, whether or not expressly identified as such, should be considered statements of fact.

None of the City, the Purchaser, or the Financial Advisor makes any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its Book-Entry-Only System.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

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OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

- THE CITY**..... The City of Bryan, Texas (the “City”) is a political subdivision and a home rule municipal corporation of the State of Texas (the “State”), located in Brazos County. The City encompasses approximately 43.7 square miles in area.
- THE BONDS** The \$38,305,000* City of Bryan, Texas Waterworks and Sewer System Revenue Bonds, Series 2025 (the “Bonds”) are issued as serial bonds maturing on July 1 in each of the years 2026 through and including 2045 (see “THE BONDS - Description of the Bonds”).
- PAYMENT OF INTEREST** Interest on the Bonds will accrue from the Delivery Date and will be payable on January 1, 2026, and each July 1 and January 1 thereafter until maturity or earlier redemption (see “THE BONDS - Description of the Bonds”).
- AUTHORITY FOR ISSUANCE** The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), Chapter 1502, Texas Government Code, as amended (“Chapter 1502”), and a bond ordinance (the “Bond Ordinance”) adopted by the City Council. In the Bond Ordinance, the City Council delegated authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds to certain City officials (the “Pricing Officers”) who will approve a pricing certificate (the “Pricing Certificate”) which will complete the sale of the Bonds (the Bond Ordinance and the Pricing Certificate authorized therein are sometimes collectively referred to as the “Ordinance”) (see “THE BONDS – Authority for Issuance”).
- SECURITY FOR THE BONDS** The Bonds constitute special obligations of the City payable, together with certain outstanding revenue bonds of the City and any parity obligations issued or incurred in the future, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the City’s Waterworks and Sewer System (the “Waterworks and Sewer System”). The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation (see “THE BONDS - Authority for Issuance” and “- Security and Source of Payment”).
- REDEMPTION PROVISIONS**..... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after July 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on July 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Redemption Provisions”). The Bonds may be subject to mandatory redemption in the event the Purchaser elects to aggregate two or more maturities as Term Bonds.
- TAX EXEMPTION** In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.
- USE OF PROCEEDS**..... Proceeds from the sale of the Bonds will be used for (i) constructing, improving, repairing, renovating, enlarging, extending and equipping the Waterworks and Sewer System, (ii) funding capitalized interest for the Bonds, if necessary, (iii) funding the reserve fund requirement for the Bonds, if necessary, and (iv) paying the costs of issuing the Bonds (see “THE BONDS” herein).
- RATING** The Bonds are rated “AA” with a stable outlook by S&P Global Ratings, a division of S&P Global Inc. (“S&P”). See “OTHER INFORMATION – Rating.”

* Preliminary, subject to change (see “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the Notice of Sale and Bidding Instructions for the Bonds).

BOOK-ENTRY-ONLY SYSTEM..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”

SELECTED FINANCIAL INFORMATION

| Fiscal Year Ended 9/30 | Net Revenues Available For Debt Service | Annual Debt Service Requirements | Coverage of Debt | Daily Average Usage (Gallons) | Peak Daily Usage (Gallons) |
|------------------------|---|----------------------------------|------------------|-------------------------------|----------------------------|
| 2019 | \$ 14,179,718 | \$ 5,627,131 | 2.52x | 10,260,717 | 24,017,000 |
| 2020 | 15,836,076 | 5,679,984 | 2.63x | 11,126,408 | 23,439,000 |
| 2021 | 13,251,380 | 5,454,726 | 2.43x | 10,226,205 | 26,260,000 |
| 2022 | 13,669,685 | 5,725,646 | 2.39x | 12,688,670 | 24,821,000 |
| 2023 | 17,011,760 | 3,373,965 | 5.04x | 12,940,306 | 24,160,000 |

For additional information regarding the City, please contact:

Katherine Tapscott
 Chief Financial Officer
 City of Bryan
 P. O. Box 1000
 Bryan, Texas 77805
 (979) 209-5080

or

Steven A. Adams, CFA
 Paul N. Jasin
 Specialized Public Finance Inc.
 4925 Greenville Ave., Suite 1350
 Dallas, Texas 75206
 (214) 373-3911

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

| <u>City Council</u> | <u>Start of Service</u> | <u>Term Expires</u> |
|--|-------------------------|---------------------|
| Bobby Gutierrez Mayor | November, 2022 | November, 2026 |
| James Edge Mayor Pro Tem | May, 2022 | November, 2028 |
| Paul Torres Councilmember | November, 2022 | November, 2026 |
| Ray Arrington Councilmember | November, 2022 | November, 2026 |
| Jared Salvato Councilmember | November, 2022 | November, 2028 |
| Marca Ewers-Shurtleff Councilmember | December, 2022 | November, 2028 |
| Kevin Boriskie Councilmember | November, 2022 | November, 2028 |

SELECTED ADMINISTRATIVE STAFF

| <u>Name</u> | <u>Position</u> | <u>Start of Service</u> |
|--------------------|--|-------------------------|
| Kean Register | City Manager | September, 2000 |
| Katherine Tapscott | Chief Financial Officer | July, 2024 |
| Hugh Walker | Deputy City Manager - Support Services | April, 1995 |
| Joseph Dunn | Deputy City Manager - Community Services | April, 2006 |
| Thomas Leeper | City Attorney | January, 2016 |
| Melissa Brunner | City Secretary | September, 2024 |

CONSULTANTS AND ADVISORS

| | |
|-------------------------|---|
| Auditors | Weaver and Tidwell, L.L.P. Houston, Texas |
| Bond Counsel | Orrick, Herrington & Sutcliffe LLP Austin, Texas |
| Financial Advisor | Specialized Public Finance Inc. Dallas, Texas |

OFFICIAL STATEMENT

RELATING TO

\$38,305,000*

CITY OF BRYAN, TEXAS

WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$38,305,000* City of Bryan, Texas Waterworks and Sewer System Revenue Bonds, Series 2025 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted by the City Council authorizing the issuance of the Bonds (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc., Dallas, Texas.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the final Official Statement will be filed with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1871, and first adopted its Home Rule Charter in 1941. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The terms of office of the Mayor and Councilmembers are shown under "CITY OFFICIALS, STAFF AND CONSULTANTS." The term of office for Councilmembers and the Mayor is four years, with general elections being held in even-numbered years only. The Mayor and two Councilmembers will be elected in one election cycle, and four Councilmembers will be elected in the other cycle. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police, fire and emergency medical services), streets, health, culture, parks and recreation, planning, public improvements, general administrative services, electrical, water, sewer and solid waste systems. The 2020 Census population for the City was 83,980 and the 2024 estimate is 93,590. The City covers approximately 43.7 square miles.

THE BONDS

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) constructing, improving, repairing, renovating, enlarging, extending and equipping the Waterworks and Sewer System, (ii) funding capitalized interest for the Bonds, if necessary, (iii) funding the reserve fund requirement for the Bonds, if necessary, and (iv) paying the costs of issuing the Bonds.

DESCRIPTION OF THE BONDS . . . The Bonds are dated January 1, 2025 (the "Dated Date"). The Bonds mature on July 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30 day months, will accrue from their Delivery Date, and is payable January 1, 2026, and each July 1 and January 1 thereafter until maturity or earlier redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity or earlier redemption and will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "- Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Chapter 1502, Texas Government Code, as amended ("Chapter 1502"), and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds constitute special obligations of the City of Bryan, Texas (the "City"), payable, together with certain outstanding revenue bonds of the City and any parity obligations issued or incurred in the future (the "Parity Obligations"), both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the City's Waterworks and Sewer System (the "Waterworks and Sewer System") pledged therefor under the Ordinance. Operation and maintenance expenses of the Waterworks and Sewer System include all contractual payments of the Waterworks and Sewer System to the extent permitted by law and to the extent so characterized in any such contract(s). The Bonds are not a charge upon any other income or revenues of the City and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City or the State. The Ordinance does not create a mortgage on the Waterworks and Sewer System and any judgment against the City may not be enforced by levy and execution against any property owned by the City.

*Preliminary, subject to change.

The outstanding Waterworks and Sewer System Parity Obligations of the City consists of the following:

| <u>Dated Date</u> | <u>Outstanding Debt</u> ⁽¹⁾ | <u>Issue Description</u> |
|-------------------|--|--|
| 6-1-2011 | \$ 4,955,000 | Waterworks and Sewer System Revenue Bonds, New Series 2011 |
| 10-1-2016 | 2,920,000 | Waterworks and Sewer System Revenue Bonds, New Series 2016A |
| 11-10-2016 | 1,680,000 | Waterworks and Sewer System Revenue Bonds, New Series 2016B |
| 5-15-2017 | 7,025,000 | Waterworks and Sewer System Revenue Refunding Bonds, New Series 2017 |
| 8-1-2019 | 1,635,000 | Waterworks and Sewer System Revenue Refunding Bonds, New Series 2019 |
| 4-15-2020 | 2,015,000 | Waterworks and Sewer System Revenue Refunding Bonds, New Series 2020 |
| 11-1-2021 | <u>13,905,000</u> | Waterworks and Sewer System Revenue Bonds, New Series 2021 |
| | \$34,135,000 | |

(1) As of January 1, 2025.

RESERVE FUND . . . As additional security for the Parity Obligations, there has been established a Reserve Fund which shall be funded in an amount equal to the lesser of (a) 1.25 times the average Annual Debt Service Requirements of Parity Obligations then Outstanding, (b) 1.00 times the Annual Debt Service Requirements of the Parity Obligations to be Outstanding in the Fiscal Year during which such Annual Debt Service Requirements are scheduled to be greatest, or (c) 10 percent of the aggregate proceeds (within the meaning of Section 148(d)(2) of the Internal Revenue Code) of the Parity Obligations (the “Reserve Fund Requirement”) (see “APPENDIX C - SELECTED PROVISIONS OF THE ORDINANCE – Definitions” and “ - Reserve Fund”).

The City may satisfy its obligation to maintain an amount equal to the Reserve Fund Requirement in the Reserve Fund by making monthly deposits of Net Revenues to the credit of the Reserve Fund over a period of sixty (60) months in an amount equal to 1/60th of the difference between the amount in the Reserve Fund and the Reserve Fund Requirement, determined as of the delivery date of any Additional Bonds. The City may also satisfy its covenant to maintain the Reserve Fund in an amount equal to the Reserve Fund Requirement with a Credit Facility that will provide funds, together with other Reserve Fund Obligations, if any, credited to the Reserve Fund, at least equal to the Reserve Fund Requirement. The City may replace or substitute a Credit Facility for cash or Authorized Investments on deposit in the Reserve Fund or in substitution for or replacement of any existing Credit Facility (see “APPENDIX C – SELECTED PROVISIONS OF THE BOND ORDINANCE – Reserve Fund”).

With the exception of the Series 2017 Waterworks and Sewer System Revenue Bonds, all outstanding Parity Obligations have satisfied the Reserve Fund Requirement with a cash deposit. The Series 2017 Bonds have satisfied the Reserve Fund Requirement with a surety bond issued by Build America Mutual Assurance Company (“BAM”), or any successor.

PERFECTION OF SECURITY FOR THE BONDS . . . Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the Net Revenues, and such pledge will therefore be valid, effective and perfected upon issuance of the Bonds. Should Texas law be amended while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Net Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the City agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

PLEDGED REVENUES . . . All revenues of the Waterworks and Sewer System are deposited in the Revenue Fund and are applied first to the payment of all necessary and reasonable expenses of operation and maintenance of the Waterworks and Sewer System; next, to the Debt Service Fund and Reserve Fund created for the payment of principal of and interest on the Parity Obligations; next, to pay Subordinated Debt; and then to any other purpose permitted by law. Currently, there is no Subordinated Debt outstanding.

RATES . . . The City has covenanted in the Ordinance that it will at all times charge and collect for services rendered by the Waterworks and Sewer System rates sufficient to (i) pay all operating, maintenance, debt service, depreciation, replacement and betterment charges of the Waterworks and Sewer System, (ii) establish and maintain the Debt Service Fund and the Reserve Fund as provided in the ordinances authorizing the issuance of any outstanding Parity Obligations and the ordinance authorizing the issuance of the Bonds, (iii) produce Net Revenues, no less than an amount equal to 1.25 times the average Annual Debt Service Requirements of the Parity Obligations from time to time, and (iv) pay all other obligations reasonably anticipated to be payable from the revenues of the Waterworks and Sewer System, as and when the same become due (see “APPENDIX C - SELECTED PROVISIONS OF THE BOND ORDINANCE – Rates and Charges”).

ADDITIONAL BONDS . . . Subject to satisfying certain conditions for the issuance of Parity Obligations, the City has reserved the right in the Ordinance to issue Additional Bonds. Any such Additional Bonds will be secured on a parity with the pledge of the Net Revenues of the Waterworks and Sewer System that secures the Outstanding Parity Obligations, including the Bonds. Among the other conditions required by the Ordinance for the issuance of Additional Bonds, is the delivery of a certificate from a Certified Public Accountant showing that the Net Revenues of the Waterworks and Sewer System for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last 15 months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average Annual Debt Service Requirements of all outstanding Parity Obligations which will be outstanding after the issuance of the Additional Bonds. In making a determination of the Net Revenues, the City may take into consideration a change in the rates and charges for services and facilities afforded by the Waterworks and Sewer System that became effective at least sixty (60) days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues coverage test described above, an independent

engineer or engineering firm may make a pro forma determination of the Net Revenues of the Waterworks and Sewer System for a period of time covered by his or her certification based on such change in rates and charges being in effect for the entire period covered.

REDEMPTION PROVISIONS . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after July 1, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on July 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. At least forty five (45) days prior to a redemption date for the Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of the decision to redeem Bonds, the principal amount of each Stated Maturity to be redeemed, and the date of redemption therefor. The decision of the City to exercise the right to redeem Bonds shall be entered in the minutes of the governing body of the City.

If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any Stated Maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall treat such Bonds as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bonds by \$5,000 and shall determine by lot or other customary random selection method the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

The Bonds may be subject to mandatory redemption in the event the Purchaser (as defined herein) elects to aggregate two or more maturities as "Term Bonds".

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the Paying Agent/Registrar shall give notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. Any notice so mailed shall be conclusively presumed to have been duly given irrespective of whether or not the registered owner receives such notice.

With respect to any optional redemption of the Bonds, unless all prerequisites to such redemption required by the Ordinance have been met, including monies sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed having been received by the Paying Agent/Registrar prior to the giving of notice of such redemption, such notice shall state that said redemption may, at the option of the City, be conditional upon the satisfaction of all prerequisites and receipt of such monies by the Paying Agent/Registrar on or prior to the date fixed for such redemption, and if such prerequisites to the redemption and sufficient monies are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC NOTICE AND REDEMPTION PROVISIONS . . . The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "Book-Entry-Only System" herein.

AMENDMENTS TO THE ORDINANCE . . . The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, except as provided in the next succeeding paragraph, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding and affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of the registered owners of all of the Bonds, no such amendment, addition, or rescission may (i) extend the time or times on which the principal of, premium, if any, or any installment of interest on any Bond is due and payable, reduce the principal amount, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of the Bonds required for consent to any amendment, addition, or rescission.

The City may also amend the Ordinance with respect to its continuing disclosure obligations as described under “CONTINUING DISCLOSURE OF INFORMATION - Limitations and Amendments.”

DEFEASANCE . . . The Ordinance provides for the defeasance of the Bonds in any manner now or hereafter permitted by law, including, but not limited to, by depositing with the Paying Agent/Registrar, a trust company or commercial bank other than the Paying Agent/Registrar, or with the Comptroller of Public Accounts of the State of Texas either: (a) cash in an amount equal to the principal amount of such Bonds and premium, if any, an interest thereon to the date of maturity or redemption or (b) pursuant to an escrow or trust agreement, cash and/or Defeasance Securities (as defined below), which (in the case of Defeasance Securities) may be in book-entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption, provided, however, that if any of the Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in this Ordinance. The term “Defeasance Securities” shall mean (1) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the City or deposited as directed in writing by the City.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

Neither the City nor the Purchaser can or does give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as

well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement: In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Purchaser.

Effect of Termination of Book-Entry-Only System: In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS – Transfer, Exchange and Registration" below.

So long as Cede & Co. is the registered owner of the Bonds, the City will have no obligation or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds is Wilmington Trust, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid.

In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City must be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice will give the address of the Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations, having the same stated maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

RECORD DATE FOR INTEREST PAYMENT . . . The date for determining the person to whom the interest is payable on the Bonds on any interest payment date means the close of business on the fifteenth calendar day of the month next preceding such interest payment date ("Record Date").

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest, which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES . . . The Ordinance provides that in the event the City (a) defaults in payments to be made to the Bond Fund or the Reserve Fund as required by the Ordinance or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance, the Holders of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in the Ordinance. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the courts, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Holders.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the State. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the covenants set forth in the Bonds or the Ordinance. The City has not waived sovereign immunity. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property.

The City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenue, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds and the Ordinance are qualified with respect to sovereign immunity and the customary rights of debtors relative to their creditors.

USE OF PROCEEDS . . . The proceeds from the sale of the Bonds are expected to be applied as follows:

| | |
|-----------------------------------|-------------|
| SOURCES OF FUNDS | |
| Par Amount of the Bonds | \$ - |
| Net Reoffering Premium | - |
| Total Sources | <u>\$ -</u> |
| USES OF FUNDS | |
| Project Construction Fund | \$ - |
| Costs of Issuance/Rounding Amount | - |
| Total Uses | <u>\$ -</u> |

INVESTMENT CONSIDERATIONS

CYBER SECURITY . . . Computer networks and data transmission and collection are vital to the operations of the City. Information technology and infrastructure of the City may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the City. To mitigate these risks, the City continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture.

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THE WATERWORKS AND SEWER SYSTEM

WATERWORKS SYSTEM

The City provides municipal water from twelve wells. These wells, located north of the City, draw water from the Simsboro Aquifer. The wells have an average depth of approximately 2,800 feet and vary in individual capacity from 2,000 gallons per minute to 3,300 gallons per minute. Total capacity of the twelve wells is approximately 37,708,000 gallons per day. The water is delivered from the wells to the City through two 27-inch concrete cylinder supply lines and one 54-inch ductile iron supply line. The system includes ground storage capacity of 10,000,000 gallons and elevated storage of 4,000,000 gallons. Treatment consist of aeration and chlorination.

TABLE 1 – HISTORICAL WATER CONSUMPTION (GALLONS)

| Fiscal Year Ended 9/30 | Daily Average Usage (Gallons) | Peak Daily Usage (Gallons) | Total Usage |
|---------------------------------|--|-------------------------------------|----------------|
| 2019 | 10,260,717 | 24,017,000 | 3,745,161,600 |
| 2020 | 11,126,408 | 23,439,000 | 4,072,265,200 |
| 2021 | 10,226,205 | 26,260,000 | 3,732,564,900 |
| 2022 | 12,688,670 | 24,821,000 | 4,631,364,500 |
| 2023 | 12,940,306 | 24,160,000 | 4,723,211,600 |
| 2024 ⁽¹⁾ | 12,042,582 | 23,154,000 | 4,407,584,900 |

Source: City of Bryan.

(1) Unaudited figures.

TABLE 2 – TEN LARGEST WATER AND SEWER CUSTOMERS (BASED ON GALLONS OF WATER CONSUMED) (AS OF SEPTEMBER 30, 2024, UNAUDITED)

| Customer | Type of Industry | Water Usage (Gallons) | % of Total Water Usage |
|-----------------------------------|-----------------------|--------------------------|---------------------------|
| Wellborn Special Utility District | Utility District | 343,699,900 | 7.80% |
| Wickson Water Supply | Utility District | 159,461,000 | 3.62% |
| City of Bryan | Local Government | 83,608,300 | 1.90% |
| Bryan ISD | Public School | 80,250,200 | 1.82% |
| St. Joseph Hospital | Health Care Facility | 69,391,800 | 1.57% |
| Comcapp Bryan | Housing | 66,893,800 | 1.52% |
| Brazos County | County Government | 43,041,000 | 0.98% |
| TDCJ - Hamilton Unit | Correctional Facility | 39,826,500 | 0.90% |
| Saint Gobain Norpro | Manufacturing | 39,754,200 | 0.90% |
| Oakwood/Country Village | Mobile Home Park | 30,224,300 | 0.69% |
| | | <u>956,151,000</u> | <u>21.69%</u> |

Source: City of Bryan.

TABLE 3 – MONTHLY WATER RATES (AS OF SEPTEMBER 30, 2024)

| Water Class | Minimum | Volume | Volume | Volume |
|-----------------------|-----------|------------------|-----------------------|---------------------|
| | Customer | Charge Per | Charge Per | Charge Per |
| | Charge | 1,000 Gallons | 1,000 Gallons | 1,000 Gallons |
| | Per Month | 0-30,000 Gallons | 30,001-50,000 Gallons | Over 50,000 Gallons |
| Residential | \$ 9.70 | \$ 2.76 | \$ 3.00 | \$ 3.50 |
| Commercial/Industrial | 13.80 | 2.38 | 2.38 | 2.38 |
| Bryan Public Schools | 13.80 | 2.38 | 2.38 | 2.38 |
| Interdepartmental | 13.80 | 2.38 | 2.38 | 2.38 |
| Special Contracts | 13.74 | 4.05 | 4.05 | 4.05 |
| Bulk Sales | N/A | 11.08 | 11.08 | 11.08 |

Source: City of Bryan.

WASTEWATER SYSTEM

The City operates three wastewater treatment plants that treat all of the City’s sewage. The Burton Creek Plant (Plant No. 1) uses a trickling filter/activated sludge process and has a capacity of 8.0 MGD. The Still Creek Plant (Plant No. 2) uses a trickling filter/activated sludge process and has a capacity of 4.0 MGD. The Thompsons Creek Plant (Plant No. 3) uses an activated sludge process and has a capacity of 2.0 MGD. Burton Creek and Still Creek were improved in 1993 in order to meet the respective requirements of the discharge permits; Thompsons Creek was activated in 2013 and replaced a smaller capacity plant. Sewage collection lines range in size from 6 inches to 42 inches and consist of a total of 435 miles of pipe.

TABLE 4 – WASTEWATER USAGE (GALLONS)

| Fiscal Year | Daily | Monthly | Total | Total |
|-------------|-----------|-------------|---------------|---------------|
| Ended | Average | Average | Treated | FYE Revenues |
| 9/30 | | | | |
| 2019 | 7,783,033 | 237,382,500 | 2,848,590,000 | \$ 13,122,328 |
| 2020 | 7,066,411 | 214,936,667 | 2,579,240,000 | 13,387,061 |
| 2021 | 7,551,836 | 229,701,667 | 2,756,420,000 | 13,625,996 |
| 2022 | 7,114,466 | 216,398,333 | 2,596,780,000 | 14,296,820 |
| 2023 | 7,634,301 | 232,210,000 | 2,786,520,000 | 15,100,939 |
| 2024 (1) | 8,487,923 | 258,881,667 | 3,106,580,000 | 14,586,049 |

Source: City of Bryan.

(1) Unaudited figures.

TABLE 5 – MONTHLY SEWER RATES (AS OF SEPTEMBER 30, 2024)

| Wastewater Class | Customer | Volume |
|-----------------------|-----------|---------------|
| | Charge | Charge Per |
| | Per Month | 1,000 Gallons |
| Non Commercial | \$ 7.88 | \$ 4.03 |
| Commercial/Industrial | 7.88 | 3.80 |

Source: City of Bryan.

DEBT INFORMATION

TABLE 6 – PROFORMA WATERWORKS AND SEWER SYSTEM REVENUE DEBT SERVICE REQUIREMENTS

| Fiscal Year Ending 9/30 | Outstanding Debt | | | The Bonds ⁽¹⁾ | | | Total Debt Service Requirements ⁽¹⁾ |
|----------------------------------|----------------------|---------------------|----------------------|--------------------------|----------------------|----------------------|--|
| | Principal | Interest | Total | Principal | Interest | Total | |
| 2025 | \$ 3,280,000 | \$ 832,369 | \$ 4,112,369 | \$ - | \$ - | \$ - | \$ 4,112,369 |
| 2026 | 3,340,000 | 747,119 | 4,087,119 | 700,000 | 2,242,453 | 2,942,453 | 7,029,572 |
| 2027 | 3,395,000 | 661,646 | 4,056,646 | 1,355,000 | 1,589,550 | 2,944,550 | 7,001,196 |
| 2028 | 3,385,000 | 575,677 | 3,960,677 | 1,410,000 | 1,535,350 | 2,945,350 | 6,906,027 |
| 2029 | 3,420,000 | 487,172 | 3,907,172 | 1,460,000 | 1,478,950 | 2,938,950 | 6,846,122 |
| 2030 | 2,940,000 | 391,491 | 3,331,491 | 1,520,000 | 1,420,550 | 2,940,550 | 6,272,041 |
| 2031 | 1,485,000 | 318,182 | 1,803,182 | 1,585,000 | 1,359,750 | 2,944,750 | 4,747,932 |
| 2032 | 1,515,000 | 285,412 | 1,800,412 | 1,645,000 | 1,296,350 | 2,941,350 | 4,741,762 |
| 2033 | 940,000 | 250,269 | 1,190,269 | 1,715,000 | 1,230,550 | 2,945,550 | 4,135,819 |
| 2034 | 965,000 | 231,171 | 1,196,171 | 1,780,000 | 1,161,950 | 2,941,950 | 4,138,121 |
| 2035 | 985,000 | 210,711 | 1,195,711 | 1,855,000 | 1,090,750 | 2,945,750 | 4,141,461 |
| 2036 | 1,005,000 | 189,081 | 1,194,081 | 1,925,000 | 1,016,550 | 2,941,550 | 4,135,631 |
| 2037 | 735,000 | 166,277 | 901,277 | 2,005,000 | 939,550 | 2,944,550 | 3,845,827 |
| 2038 | 755,000 | 150,999 | 905,999 | 2,080,000 | 859,350 | 2,939,350 | 3,845,349 |
| 2039 | 770,000 | 135,357 | 905,357 | 2,170,000 | 776,150 | 2,946,150 | 3,851,507 |
| 2040 | 785,000 | 119,649 | 904,649 | 2,255,000 | 689,350 | 2,944,350 | 3,848,999 |
| 2041 | 800,000 | 103,381 | 903,381 | 2,345,000 | 593,513 | 2,938,513 | 3,841,894 |
| 2042 | 695,000 | 86,513 | 781,513 | 2,450,000 | 493,850 | 2,943,850 | 3,725,363 |
| 2043 | 710,000 | 69,833 | 779,833 | 2,560,000 | 382,375 | 2,942,375 | 3,722,208 |
| 2044 | 725,000 | 52,793 | 777,793 | 2,680,000 | 260,775 | 2,940,775 | 3,718,568 |
| 2045 | 745,000 | 35,393 | 780,393 | 2,810,000 | 133,475 | 2,943,475 | 3,723,868 |
| 2046 | 760,000 | 19,152 | 779,152 | - | - | - | 779,152 |
| | <u>\$ 34,135,000</u> | <u>\$ 6,119,645</u> | <u>\$ 40,254,645</u> | <u>\$ 38,305,000</u> | <u>\$ 20,551,140</u> | <u>\$ 58,856,140</u> | <u>\$ 99,110,785</u> |

(1) Preliminary, subject to change.

ANTICIPATED ISSUANCE OF ADDITIONAL REVENUE BONDS . . . The City does not anticipate issuing additional revenue debt for the System within the next twelve months.

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RETIREMENT PLAN

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System (“TMRS”), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense.

Employees for the City of Bryan were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.18% and 8.85% in calendar years 2022 and 2023, respectively. The City opted to fund at a rate of 9.25% and 9.50%, respectively, which is over the actuarial determined required rate. The City’s contributions to TMRS for the year ended September 30, 2023 were \$7,114,657, and were more to the required contributions by \$376,593.

For more detailed information concerning the Retirement Plan, see APPENDIX B, “Excerpts from the City of Bryan, Texas Annual Financial Report” – Note #9.

OTHER POST-EMPLOYMENT BENEFITS . . . Effective January 1, 1991, by action of the City Council, the City began offering post-retirement health care benefits to employees. Effective January 1, 1993, retiree spouses were granted eligibility for benefits. Dependents were granted eligibility effective January 1, 1994. This plan is a single employer defined benefit, other post-employment benefit plan. A separate, audited GAAP-basis post-employment benefit plan report is not available.

In the year ended September 30, 2023, retirees paid \$623,817 in premiums and \$2,177,420 in claims and premiums were paid for post-retirement health care and administrative charges. As of September 30, 2023, the City has 78 retirees and 68 dependents participating in the plan.

Prior to January 1, 2010, all retirees electing health plan coverage received a health premium subsidy averaging 40%. Beginning January 1, 2010, the City implemented new eligibility requirements for subsidized retiree premiums. The new eligibility requirements require retirees to meet the ‘Rule of 80’ (sum of age plus years of service at retirement must equal to at least 80), in order to receive the subsidized retiree premium. Retirees not meeting the ‘Rule of 80’ may still elect the City’s retiree health plan coverage, but will not receive a subsidy.

For the year ended September 30, 2023, the City’s contribution rate was \$1,306,797, or 1.73% of covered-employee payroll. (See the Required Supplementary section of this report for more information on contributions to the Plan). Employees are not required to contribute to the plan.

For more detailed information concerning the City’s Other Post-Employment Benefits, see APPENDIX B, “Excerpts from the City of Bryan, Texas Annual Financial Report” – Note #11.

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FINANCIAL INFORMATION

TABLE 7 – CONDENSED STATEMENT OF OPERATIONS

| | Fiscal Year Ending September 30, | | | | |
|---|----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| <u>Revenues</u> | | | | | |
| Waterworks | \$ 17,286,917 | \$ 15,924,867 | \$ 13,252,956 | \$ 14,449,661 | \$ 13,101,114 |
| Sewer System | 15,100,939 | 14,296,820 | 13,625,996 | 13,387,161 | 13,122,328 |
| Interest Income | 1,418,995 | (178,279) | 47,611 | 332,652 | 674,251 |
| Total Revenues | <u>\$ 33,806,851</u> | <u>\$ 30,043,408</u> | <u>\$ 26,926,563</u> | <u>\$ 28,169,474</u> | <u>\$ 26,897,693</u> |
| <u>Expenses ⁽¹⁾</u> | | | | | |
| Waterworks | \$ 8,149,635 | \$ 7,876,405 | \$ 6,790,996 | \$ 6,072,752 | \$ 6,474,333 |
| Sewer System | 8,645,456 | 8,497,318 | 6,884,187 | 6,260,646 | 6,243,642 |
| Total Expenses | <u>\$ 16,795,091</u> | <u>\$ 16,373,723</u> | <u>\$ 13,675,183</u> | <u>\$ 12,333,398</u> | <u>\$ 12,717,975</u> |
| Net Revenues available for Debt Service | \$ 17,011,760 | \$ 13,669,685 | \$ 13,251,380 | \$ 15,836,076 | \$ 14,179,718 |
| Water Connections | 26,373 | 25,895 | 25,242 | 24,479 | 23,926 |
| Sewer Connections | 27,042 | 26,475 | 25,655 | 24,691 | 23,968 |

(1) Excludes depreciation and amortization. Includes an adjustment to reflect actual pension contributions.

TABLE 8 – COVERAGE AND FUND BALANCES

| | |
|---|---------------|
| Average Annual Principal and Interest Requirements (2025 - 2046) ⁽¹⁾ | \$ 4,505,036 |
| Coverage of Average Annual Requirements by 2023 Net Revenues | 3.78 Times |
| Maximum Principal and Interest Requirements, 2026 ⁽¹⁾ | \$ 7,029,572 |
| Coverage of Maximum Requirements by 2023 Net Revenues | 2.42 Times |
| Waterworks and Sewer System Revenue Bonds (September 30, 2024) ⁽¹⁾ | \$ 72,440,000 |
| Interest and Sinking Fund (September 30, 2024) ⁽²⁾ | \$ 3,007,119 |
| Reserve Fund (September 30, 2024) ⁽³⁾ | \$ 2,039,752 |

(1) Includes the Bonds. Preliminary, subject to change.

(2) Preliminary, subject to change.

(3) A Reserve Fund for the Waterworks and Sewer System Revenue Bonds has been established based on the Debt Service Requirements of Parity Obligations Outstanding. With the exception of the Series 2017 Waterworks and Sewer System Revenue Bonds, all outstanding Parity Obligations have satisfied the Reserve Fund Requirement with a cash deposit. The Series 2017 Bonds have satisfied the Reserve Fund Requirement with a surety bond issued by Build America Mutual Assurance Company (“BAM”), or any successor. Preliminary, subject to change.

FINANCIAL POLICIES

Basis of Accounting . . . All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements represent increases and decreases in net total assets. Proprietary fund types are accounted for using the accrual basis of accounting.

Waterworks and Sewer System Fund Balance . . . It is the City's policy to maintain an unencumbered fund balance equal to at least 60 days of expenditures. If the fund balance is drawn down in any one year, the fund balance will be restored in the following year.

Use of Bond Proceeds . . . It is the City's policy that debt will only be issued to finance long-term capital projects, that debt will not be issued to fund current expenditures, and that debt will not be issued with a maturity longer than the estimated life of the project.

Budgetary Procedures . . . It is the City's policy that a five-year financial forecast shall be prepared annually, to be used as a planning tool in developing the following year's operating budget. The budget is developed by the City staff and presented to the City Council for consideration.

Fund Investments . . . It is the City's policy to invest funds with the foremost objective of safety of principal, followed by liquidity and yield. Eligible investment instruments include U.S. government and agency securities, collateralized or insured Bonds of deposit, collateralized repurchase agreements, and other instruments authorized by State law, excluding bankers acceptances, commercial paper, and reverse repurchase agreements.

Cost of Service . . . It is the City's policy to maintain a full cost of service philosophy concerning rates within the Enterprise Fund. Rates of each utility (electric, water and sewer) shall be designed in a manner that will separate the full costs of each utility, provide debt service coverage and other requirements placed on the utilities by revenue bond covenants and separate sufficient funds to ensure adequate and appropriate levels of working capital.

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INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA (as defined herein), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in described below, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers’ with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity’s entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City’s investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in non-money market mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in non-money market mutual funds; (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; (9) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said ordinance or resolution; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 9 - CURRENT INVESTMENTS

As of November 30, 2024, the City’s investable funds were invested in the following categories:

| Description | Book Value | % of Total |
|---|----------------|------------|
| Pooled Funds | \$ 1,150,699 | 0.58% |
| Agency Securities | 86,528,683 | 43.26% |
| Treasury Securities | 7,039,963 | 3.52% |
| Political Subdivision Securities | 30,982,406 | 15.49% |
| Term Investment | 16,000,000 | 8.00% |
| Truist Operating (non-interest bearing) | 3,019,292 | 1.51% |
| Truist Sweep (interest bearing) | 55,284,042 | 27.64% |
| Total Investments | \$ 200,005,085 | 100.00% |

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406I of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, as described below. The City will provide the updated information to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, as further described below under "Availability of Information."

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 9 and in APPENDIX B. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2024.

The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide audited financial statements when and if such audited financial statements become available and unaudited financial statements within 12 months after fiscal year end, unless audited financial statements are sooner provided. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, it must provide updated financial information and operating data by March 31 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB.

NOTICES OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a debt obligation or derivative instrument entered into in connection with, or

pledged as security or a source of payment for, an existing or planned debt obligation of the City, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports”.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(Neither the Bonds nor the Ordinance make any provision for liquidity enhancement or credit enhancement). For the purposes of the above describe event notices (15) and (16), the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

AVAILABILITY OF INFORMATION FROM MSRB . . . The City has agreed to provide the foregoing information only as described above. The information will be available free of charge via the MSRB’s Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years the City has complied in all material respects with its prior continuing disclosure agreements entered into pursuant to the Rule.

OTHER INFORMATION

RATING . . . The Bonds are rated “AA” with a stable outlook by S&P Global Ratings, a division of S&P Global Inc. (“S&P”). The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of the company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION . . . It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (V.T.C.A., Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments governed by V.T.C.A., Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, V.T.C.A., Chapter 2256, Texas Government Code, as amended, requires that the Bonds be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency. See “Other Information - Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

LEGAL MATTERS . . . The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “TAX MATTERS” herein. The form of such opinion is attached hereto as APPENDIX D. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

The legal opinion to be delivered concurrently with the delivery of the Bonds express as the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

NO LITIGATION CERTIFICATE . . . The City will furnish to the Purchaser (as defined below), dated as of the Delivery Date, executed by an authorized officer of the City, a certificate to the effect that, except as disclosed in this Official Statement, no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

CERTIFICATION OF THE OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Bonds, the City will furnish a certificate, executed by proper officials, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of such Bonds and the acceptance of the best bid therefor, and on the date of their delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement

are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION . . . The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER . . . After requesting competitive bids for the Bonds, the City accepted the bid of _____ (the "Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of _____% of par. The Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

This Official Statement will be approved by the Pricing Officer of the City for distribution in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

Pricing Officer
City of Bryan, Texas

APPENDIX A
GENERAL INFORMATION REGARDING THE CITY

LOCATION

The City of Bryan is located in Brazos County in East Central Texas, the center of a triangle formed by the Cities of Houston, Austin and Waco and approximately 90 miles from each. Bryan is the county seat and together with the adjacent City of College Station, forms the nucleus of a Standard Metropolitan Statistical Area (SMSA) of seven counties.

POPULATION

The City of Bryan's 2010 Census population was 76,201, 2020 Census population was 83,980, and the 2024 estimate is 93,590.

ECONOMY

The area offers an urban atmosphere with roots in agricultural industry and a diversified economy. These economic factors include:

- Higher Education - Texas A&M University, among the fastest growing universities in the country, is within five minutes of Bryan's historic Downtown, a Texas Cultural District. With approximately 68,000 students and 16,000 employees on the College Station campus, the University is a major contributor to the area in construction activity and in retail sales.
- Petroleum - Crude oil and natural gas production in the seven-county Brazos Valley area is an important part of the local economy. Activity has stabilized at present, at significantly lower levels than during the early 1980's period.
- Light Industry - Manufacturing activity in the area is diverse with products including aluminum and other building products, electronics, oil well tubing, concrete, furniture, drilling tools, business forms, food and drink products, custom aluminum and bronze engravings, and sheet metal products.
- Agriculture and Livestock - Several large working ranches are located in Brazos County with Bryan serving as a marketing center for livestock and for agricultural output from the productive farm land in the area. Agricultural income amounts to more than \$28 million annually.
- Foreign Trade Zone - Texas Triangle Park, a 1,000+ acre inland port developed and owned in cooperation with the Bryan Brazos County Economic Development Foundation Inc., offers rail access, is the market's regional industrial park, and is home to Bryan's largest industrial property, Axis Pipe and Tube.
- Municipally-Owned Electric Utility - Bryan Texas Utilities (BTU) provides electricity for more than 60,000 customers in the Brazos Valley, maintaining the Reliable Public Power Provider (RP3) Diamond designation by the American Public Power Association (APPA). Continued efforts to increase reliability, safety, and proficiency in workforce development and system improvement have earned BTU this accolade since 2013.

LABOR FORCE

The City of Bryan employment figures are as follows:

| | Average Annual | | | | |
|----------------------|----------------|-------------|-------------|-------------|-------------|
| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
| Civilian Labor Force | 52,432 | 49,810 | 47,688 | 43,877 | 43,171 |
| Total Employed | 50,838 | 48,548 | 46,193 | 42,457 | 40,652 |
| Total Unemployed | 1,594 | 1,262 | 1,495 | 1,420 | 2,519 |
| % Unemployed | 3.0% | 2.5% | 3.1% | 3.2% | 5.8% |

The Brazos County employment figures are as follows:

| | Average Annual | | | | |
|----------------------|----------------|-------------|-------------|-------------|-------------|
| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
| Civilian Labor Force | 141,440 | 134,251 | 128,477 | 119,002 | 116,599 |
| Total Employed | 137,033 | 130,859 | 124,512 | 115,264 | 110,366 |
| Total Unemployed | 4,407 | 3,392 | 3,965 | 3,738 | 6,233 |
| % Unemployed | 3.1% | 2.5% | 3.1% | 3.1% | 5.3% |

Source: Labor Market Information Department of Texas Workforce Commission.

EDUCATION

Public education in the City is provided by Bryan Independent School District, which also serves a rural part of northern Brazos County and a small part of College Station. The school district operates fifteen elementary schools, two intermediate schools, two middle schools and four high schools (three traditional high schools and one early college high school). Student enrollment for 2023 was 16,036.

Texas A&M University, with the main campus located in College Station, has six additional institutions of higher education within 100 miles of the City. RELLIS campus, a premier, high-tech research, technology development, and education campus of the Texas A&M University System located in Bryan, has been strategically designed to provide collaborative efforts between companies and higher education. New space will be available to accommodate private, independently-managed businesses and a multi-institutional Gateway Education Center to allow Texas A&M System member institutions and Blinn College to offer a variety of curricula, enhancing the economy through companies and students alike. In addition, one of eight campuses that comprise the Texas A&M Health Science Center is in Bryan. This state agency serves as the most comprehensive health science center in Texas, addressing health care needs through medical research, service, and health professions education.

Blinn College operates a campus on a 72-acre site in Bryan which provides higher education, technical and trade education, and other continuing education and certification programs to 12,000+ students annually. The campus provides a unique joint collaborative effort with Texas A&M University. The TEAM program allows students to take courses at both campuses and then transition into full-time students at Texas A&M.

MEDICAL FACILITIES

The CHI St. Joseph Regional Health Center employs about 1,560 and is accredited as a Primary Stroke Center and Chest Pain Center. The regional health center offers the only Level II Trauma Center in the region. Other highly ranked centers of CHI St. Joseph include the Cancer Center, one of the few associated with the M.D. Anderson Cancer manager program; the Rehabilitation Center, the only one of its kind in the area; and the Emergency Center, providing 24-hour service. In 2004, a four-story tower addition added a new 36-bed critical care unit, a 36-bed medical surgery unit and a new outpatient services area.

The Physicians Centre Hospital is a 16-bed, physician-owned inpatient facility with six operating rooms and two endoscopy suites. Located in Bryan, patients have access to inpatient pharmacy services, diagnostic imaging, and a diabetic education team.

College Station Medical Center (CSMC) provides a full array of medical services including occupational and physical therapy, general surgery, and cancer treatment. Recognized as having the number one rated surgery program in the state, CSMC proves to aid in the growth of the local economy as well with an economic impact of over \$25 million.

Texas A&M University provides health services for its students at the University Health Center. The Center includes a 44-bed hospital, a complete physiotherapy department, a laboratory and X-ray department, a pharmacy, ambulance service and an urgent-care treatment center.

Baylor Scott and White Medical Center is a five-story, 143-bed hospital and is nationally accredited as a Chest Pain Center and Level III Trauma Center. This medical center is located in College Station, offering comprehensive services in a variety of specialties including pediatrics, endocrinology, orthopedics, and more.

Among other health care facilities located in the area are a psychiatric center, a mental health-mental retardation center and four retirement and convalescent homes.

The Texas A&M Health Science Center is located on the Research Valley BioCorridor. Established in December 2011, the BioCorridor is an interlocal agreement between the Cities of Bryan and College Station designed to attract bio-related industries that develop life-changing medical technologies, build tax base, and attract high-paying jobs and investment to the Cities. The agreement applies to four tracts of land totaling approximately 196 acres owned by Bryan Commerce and Development, of which, approximately 147 acres are located in College Station. The agreement provides for the joint construction and cost-sharing of HSC Parkway, the major roadway within the BioCorridor; creation of joint development standards; ad valorem revenue sharing on real and personal properties; sanitary sewer service provided by Bryan; water service provided by College Station; and a swap of exclusive sanitary sewer service territories that enables each City to more effectively provide service due to terrain and proximity to existing systems.

TRANSPORTATION

The City is traversed by U.S. Highway 190 and State Highways 6, 30, and 21. Two major railroads serve the City as well as seven motor freight lines. Two bus services provide transportation facilities for area citizens. Passenger air service is available at Easterwood Airport, two miles west of College Station. Easterwood is owned by Texas A&M University and has two 5,150-foot and one 7,000-foot paved all-weather runways. The 7,000-foot and one of the 5,150-foot runways are lighted. Coulter Field, located three miles east of Bryan, is owned by the City of Bryan and offers one 4,000-foot lighted, paved runway. Coulter offers private hangar access, 100 LL and Jet A fuel, AWOS, and other full service amenities for general and corporate aviation. Commercial air freight services are available daily and one service provides 24-hour parcel priority package service.

LARGEST EMPLOYERS

A partial listing of area employers is as follows:

| <u>Company</u> | <u>Product</u> | <u>Estimated Number of Employees</u> |
|---|---------------------------------------|--|
| Texas A&M University | Higher Education; Government Services | 17,000+ |
| Bryan Independent School District | Local School District | 2,000+ |
| College Station Independent School District | Local School District | 2,000+ |
| Texas A&M Health Science Center | Higher Education; Government Services | 2,000+ |
| Blinn College | Higher Education | 2,000+ |
| Reynolds & Reynolds | Computer Hardware/Software | 1,500+ |
| Sanderson Farms | Food Manufacturing | 1,000+ |
| CHI St. Joseph Health System | Medical Facility | 1,000+ |
| Walmart | Retail | 1,000+ |
| HEB Grocery | Retail | 1,000+ |

Source: The City of Bryan.

APPENDIX B
EXCERPTS FROM THE CITY OF BRYAN, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

The information contained in this APPENDIX consists of excerpts from the City of Bryan, Texas Annual Financial Report for the Year Ended September 30, 2023, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bryan, Texas (the City), as of and for the year ended September 30, 2023, 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, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of City of Bryan, Texas and Brazos County Economic Development Foundation, Inc. (BBCEDF), a joint venture of the City, which represents 1%, 2%, and 0% respectively, of the assets, net position and revenues of the governmental activities; the financial statements of Bryan Business Council, Inc. (BBC), a discretely presented component unit of the City, which represents 100% of the assets, net position and revenues of the discretely presented component unit; and the financial statements of Brazos Valley Solid Waste Management Agency (BVSWMA), a joint venture of the City, or Destination Bryan, a blended component unit of the City, which together represent 16%, 18%, and 2%, respectively, of the assets, fund balance/net position and revenues/additions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for BBCEDF, BBC, BVSWMA, and Destination Bryan, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audit 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. The financial statements of BBCEDF, BBC, BVSWMA and Destination Bryan were not audited in accordance with *Government Auditing Standards*. We are required to be independent of the City, 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.

The Honorable Mayor and
Members of City Council of
City of Bryan, Texas

Emphasis of Matter – Implementation of New Accounting Standard

As discussed in Note 1 to the basic financial statements, during the year ended September 30, 2023, the City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's 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'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 GAAS 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 GAAS 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'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'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.

The Honorable Mayor and
Members of City Council of
City of Bryan, Texas

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Required Supplementary Information, as listed in the table of contents, 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's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory, statistical section and continuing financial disclosure tables, as listed in the table of contents, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The Honorable Mayor and
Members of City Council of
City of Bryan, Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2024 on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
April 19, 2024

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

As management of the City of Bryan, Texas (the "City"), we offer readers of the City's financial statements this narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

Government-wide financial statements

- Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$976,645,231 (net position).
- unrestricted net position was \$231,348,290; these funds may be used to meet ongoing obligations to citizens and creditors.
- total net position increased by \$90,813,368 due to operations during FY 2023; see discussion below in the "Government-wide Financial Analysis" section for details on the increase in net position.
- Deferred outflows include amounts related to pensions, other post-employment benefits, unamortized loss on refunded debt, and accumulated decrease in fair value of hedging derivatives. Deferred outflows increased by \$33,880,292, due to changes in other post-employment benefits as described throughout this document.
- Deferred inflows include amounts related to pensions, other post-employment benefits, and deferred regulatory liability. Deferred inflows decreased by \$25,984,876, due to changes in pensions, unamortized gain on refunded debt, and deferred lease receivables.
- total debt, net of premiums and discounts, decreased by \$30,732,561, or 5.0% (see note 5 on page 76 of this document for more information).
 - \$30,732,561 in net outstanding debt was retired during FY 2023.
 - \$29,630,000 of outstanding debt (principal) is due within one year as of September 30, 2023.

Fund Financial Statements

- Total Governmental Funds reported combined ending fund balances of \$127,941,244.
 - Governmental fund balances decreased in FY 2023 compared to FY 2022 by \$21,600,456.
 - The General Fund fund balance decreased by \$10,964,760. See general fund highlights below on page 23.
 - The Debt Service Fund fund balance increased by \$705,030 primarily due to higher investment interest rates.
 - Other governmental funds balances of \$50,954,092 decreased by \$11,340,726 from the prior year. The change reflects the spending the funds in the Midtown Park Construction Fund and bond proceeds in the capital projects funds.
 - The unassigned fund balance of \$18,521,318, or 14.5%, is available for spending at the City's discretion for ongoing expenditures.
- General Fund unassigned fund balance was \$19,128,574, or 36.7% of total General Fund expenditures during FY 2023. This represents 70 days of cash based on the FY 2024 budgeted expenditures. Combined with the amounts assigned for encumbrances, the General Fund fund

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

balance available for operations is \$41,830,361 representing 152 days of cash at September 30, 2023.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. While these financial statements are not particularly useful for the users and stakeholders of the financials, they are required by GASB standards and are therefore included in the financials.

The Statement of Net Position presents all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities describe services provided by the City and include general government, development services, public works (streets and drainage), public safety, cultural and recreational (parks and recreation, library service and other community service activities) and interest on long-term debt. The business-type activities of the City include electric generation, distribution and transmission, water supply and distribution, wastewater collection and treatment, solid waste collection, a general purpose airport, and Bryan Commerce and Development, which encompasses the city's economic development activities.

The government-wide financial statements include not only the City itself (known as the "primary government"), but also Bryan Business Council, Inc., a legally separate economic development corporation, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Bryan Texas Utilities' qualified scheduling entity (BTU QSE Services, Inc.), Destination Bryan, and Bryan Commerce and Development, Inc. are also legally separate functions, but for all practical purposes operate as departments of the City of Bryan, and therefore have been included as an integral part of the primary government. For reporting purposes, BTU QSE Services, Inc. is combined with the City Electric

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

System. Included in Note 1 of the financial statements are the Condensed Statement of Net Position and Condensed Statement of Revenues, Expenses, and Changes in Net Position for BTU QSE Services, Inc.

The government-wide financial statements can be found on pages 32-34 of this report.

Fund Financial Statements. The fund financial statements are prepared on the basis of funds. A fund is a grouping of related accounts that is used to report and maintain control over resources that have been segregated for specific activities or objectives. The City of Bryan, like other state and local governments, uses fund accounting to demonstrate and ensure compliance with finance-related legal and local policy requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available to meet obligations at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial activities. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City currently maintains thirty-three (33) individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Debt Service Fund, both of which are considered to be major funds (2). Data from seventeen (17) special revenue funds, five (5) capital project funds, and nine (9) permanent funds have been combined into one single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Supplementary section of this report.

The City of Bryan adopts an annual appropriation budget for its General Fund, Debt Service Fund and special revenue funds. Individual fund budgetary comparison schedules are provided in the Required Supplementary and the Supplementary sections of this report (starting on page 123).

The basic governmental fund financial statements can be found on pages 36-39 of this report.

Proprietary Funds. The City maintains two (2) different types of proprietary funds, enterprise funds and internal service funds, and adopts an annual appropriation budget for each. The City's ten (10) proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses seven (7) enterprise funds to account for its city electric, rural electric,

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

water, wastewater, solid waste, economic development corporation and airport. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses three (3) internal service funds to account for its warehouse operations, self-insurance operations and employee benefits activities.

Proprietary funds provide the same types of information as the government-wide financial statements. The proprietary fund financial statements provide separate information in the Proprietary Fund Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows for the city electric, rural electric, water and wastewater systems, all of which are considered major funds of the City. Data from three (3) non-major enterprise funds have been combined into one single, aggregated presentation in the proprietary fund financial statements. All internal service funds are also combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the aggregated proprietary funds and the internal service funds is provided in the form of combining statements in the Supplementary section of this report (starting on page 155).

The basic proprietary fund financial statements can be found on pages 40-45 of this report.

Fiduciary Funds. The City maintains two (2) fiduciary funds, the other post-employment benefits trust fund ("OPEB Trust Fund") and the custodial funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 47-49 of this report.

Notes to the Financial Statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 51-118 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and retiree health benefits to its employees. This presentation of the City's pension liability is based on the adoption of GASB 68, *Accounting and Financial Reporting for Pensions*. The City's other post-employment benefits ("OPEB") liability is based on the adoption of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. Ultimately ten (10) years of data for both the pension liability and the OPEB liability will be displayed in the Required Supplementary section of this report. Also included in the Required Supplementary section is a budgetary comparison schedule for the General Fund to demonstrate compliance with the budget. Required supplementary information can be found on pages 119-124 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented following the required supplementary information. Combining and individual statements and schedules can be found on pages 129-164 of this report.

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$976,645,231 as of September 30, 2023.

The largest portion of the City's net position, \$684,045,082, or 70.0%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, and improvements), less any outstanding debt used to acquire 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. An additional portion of the City's net position, \$61,251,859, or 6.3%, represents resources that are subject to external restrictions on their usage. The remaining balance of unrestricted net position, \$231,348,290, or 23.7%, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of FY 2023, the City of Bryan was able to report positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities.

City of Bryan's Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$ 156,388,982 | \$ 202,820,873 | \$ 405,247,819 | \$ 444,962,172 | \$ 561,636,801 | \$ 647,783,045 |
| Capital assets | 306,919,660 | 276,722,355 | 852,239,350 | 794,389,716 | 1,159,159,010 | 1,071,112,071 |
| Total assets | <u>463,308,642</u> | <u>479,543,228</u> | <u>1,257,487,169</u> | <u>1,239,351,888</u> | <u>1,720,795,811</u> | <u>1,718,895,116</u> |
| Deferred outflows | 29,789,793 | 8,670,794 | 17,911,706 | 5,150,413 | 47,701,499 | 13,821,207 |
| Long-term liabilities | 204,099,832 | 196,113,549 | 405,310,194 | 416,849,531 | 609,410,026 | 612,963,080 |
| Other liabilities | 40,202,342 | 43,133,711 | 116,004,300 | 138,567,382 | 156,206,642 | 181,701,093 |
| Total liabilities | <u>244,302,174</u> | <u>239,247,260</u> | <u>521,314,494</u> | <u>555,416,913</u> | <u>765,616,668</u> | <u>794,664,173</u> |
| Deferred inflows | 3,147,298 | 18,446,690 | 23,088,113 | 33,773,597 | 26,235,411 | 52,220,287 |
| Net position: | | | | | | |
| Net investment in | | | | | | |
| capital assets | 181,533,378 | 162,390,390 | 502,511,704 | 459,407,258 | 684,045,082 | 621,797,648 |
| Restricted | 25,868,892 | 47,242,210 | 35,382,967 | 47,999,524 | 61,251,859 | 95,241,734 |
| Unrestricted | 38,246,693 | 20,887,472 | 193,101,597 | 147,905,009 | 231,348,290 | 168,792,481 |
| Total net position | <u>\$ 245,648,963</u> | <u>\$ 230,520,072</u> | <u>\$ 730,996,268</u> | <u>\$ 655,311,791</u> | <u>\$ 976,645,231</u> | <u>\$ 885,831,863</u> |

The \$90,813,368, or 10.3%, increase to \$976,645,231 in total net position is due to increases in both governmental activities and business-type activities.

The net position of business type activities increased \$75,684,477, or 11.5%, due primarily to the excess of operating revenues over expenses in the City Electric, Rural Electric, Water, Wastewater, and Solid Waste funds.

Net investment in capital assets for both governmental and business type activities increased by \$62,247,434, or 10.0%, at September 30, 2023.

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

Unrestricted net position for governmental activities increased by \$17,359,221 to \$38,246,693 during FY 2023. Unrestricted net position of business-type activities increased by \$45,196,588 to \$193,101,597. These increases were primarily due to the change in the net pension asset that was previously restricted to a liability that is unrestricted.

City of Bryan's Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 12,911,079 | \$ 11,720,062 | \$ 335,765,926 | \$ 338,563,947 | \$ 348,677,005 | \$ 350,284,009 |
| Operating grants and contributions | 3,024,264 | 13,380,520 | - | - | 3,024,264 | 13,380,520 |
| Capital grants and contributions | 9,860,741 | 11,244,886 | 5,156,094 | 5,925,767 | 15,016,835 | 17,170,653 |
| General revenues: | | | | | | |
| Property taxes | 48,823,436 | 43,305,764 | - | - | 48,823,436 | 43,305,764 |
| Other taxes | 35,723,479 | 34,389,174 | - | - | 35,723,479 | 34,389,174 |
| Other | 15,435,603 | 8,469,755 | 16,126,098 | (2,506,761) | 31,561,701 | 5,962,994 |
| Total revenues | 125,778,602 | 122,510,161 | 357,048,118 | 341,982,953 | 482,826,720 | 464,493,114 |
| Expenses: | | | | | | |
| General Government | 24,174,546 | 14,590,813 | - | - | 24,174,546 | 14,590,813 |
| Development Services | 5,856,843 | 6,333,102 | - | - | 5,856,843 | 6,333,102 |
| Public Works Services | 14,639,232 | 16,010,652 | - | - | 14,639,232 | 16,010,652 |
| Public Safety | 49,622,658 | 47,773,925 | - | - | 49,622,658 | 47,773,925 |
| Cultural and Recreational | 16,568,038 | 12,850,552 | - | - | 16,568,038 | 12,850,552 |
| Interest on long-term debt | 6,015,107 | 5,611,708 | - | - | 6,015,107 | 5,611,708 |
| City Electric | - | - | 190,574,316 | 174,243,166 | 190,574,316 | 174,243,166 |
| Rural Electric | - | - | 46,281,887 | 43,929,977 | 46,281,887 | 43,929,977 |
| Water | - | - | 13,424,642 | 12,547,178 | 13,424,642 | 12,547,178 |
| Wastewater | - | - | 14,195,673 | 13,449,974 | 14,195,673 | 13,449,974 |
| Solid Waste | - | - | - | 7,611,530 | - | 7,611,530 |
| Other | - | - | 10,660,410 | 2,457,318 | 10,660,410 | 2,457,318 |
| Total expenses | 116,876,424 | 103,170,752 | 275,136,928 | 254,239,142 | 392,013,352 | 357,409,894 |
| Increase in net position before transfers | 8,902,178 | 19,339,409 | 81,911,190 | 87,743,811 | 90,813,368 | 107,083,220 |
| Net Transfers | 6,226,713 | 14,054,602 | (6,226,713) | (14,054,602) | - | - |
| Increase in net position | 15,128,891 | 33,394,011 | 75,684,477 | 73,689,209 | 90,813,368.00 | 107,083,220 |
| Net position - October 1 | 230,520,072 | 194,517,808 | 655,311,791 | 581,765,091 | 885,831,863 | 776,282,899 |
| Prior period adjustments - (see Note 1.) | - | 2,608,253 | - | (142,509) | - | 2,465,744 |
| Net position - October 1 as restated | 230,520,072 | 197,126,061 | 655,311,791 | 581,622,582 | 885,831,863 | 778,748,643 |
| Net position - September 30 | \$ 245,648,963 | \$ 230,520,072 | \$ 730,996,268 | \$ 655,311,791 | \$ 976,645,231 | \$ 885,831,863 |

Governmental Activities. Total governmental activities revenues increased in FY 2023 from FY 2022 by \$3,268,442, or 2.7%, to \$125,778,602. Several factors contributed to this increase in FY 2023. Property taxes increased by \$5,517,672, or 12.7%, and other revenues (including transportation and drainage assessments, investment earnings, and miscellaneous items) increased in total by \$6,965,849, or 82.2%. The increase was partially offset by a decrease in operating grants and contributions, primarily due to the decrease in revenues from the American Rescue Plan Act grant.

The government-wide presentation of expenses consolidates all revenues and expenses on a basis similar to a private business. This presentation removes capital spending and principal payments on debt (see note 4 for capital assets of the governmental activities and note 5 for long term debt) and allocates expenses of internal service activities to all related parties. Governmental activities expenses increased

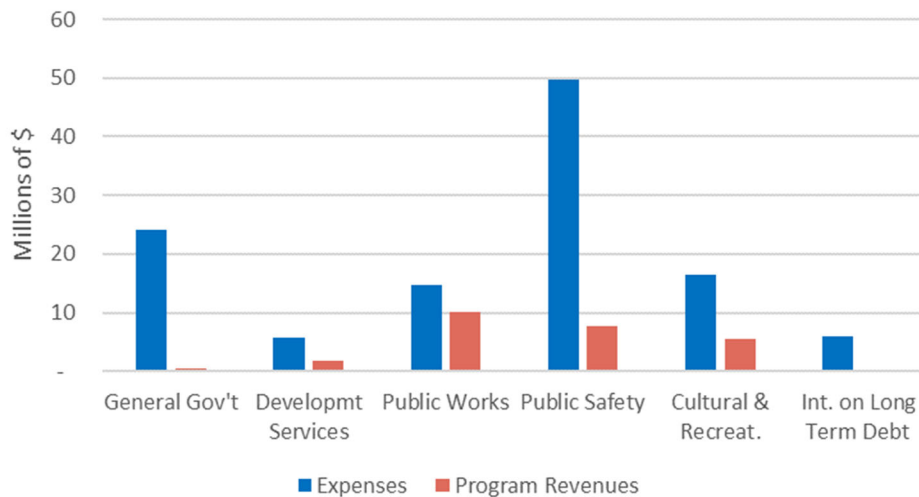
City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

in FY 2023 compared to FY 2022 by \$13,705,672 to \$116,876,424. The major changes in this category were:

- General Government expenses increased by \$9,583,733, or 65.7%. This increase was primarily due to the change in the net pension liability.
- Cultural and recreational expenses increased \$3,717,486, or 28.9%, in FY 2023 compared to FY 2022. This increase was primarily due to increase in operations at parks facilities.
- Public Safety expenses increased by \$1,848,733, or 3.9%, due to the increases in police and fire personnel costs.
- Public works expenses decreased \$1,371,420, or 8.6%. This decrease is primarily due to the decreased spending on street maintenance.
- Interest on long-term debt increased \$403,399, or 7.2% due to new debt issuances in FY 2022.

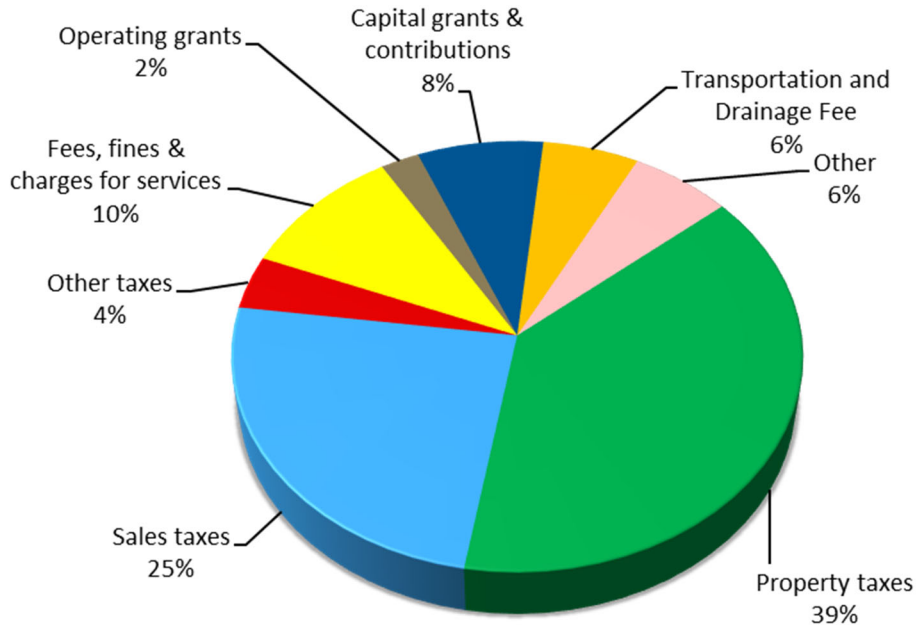
Expenses and Program Revenues - Governmental Activities



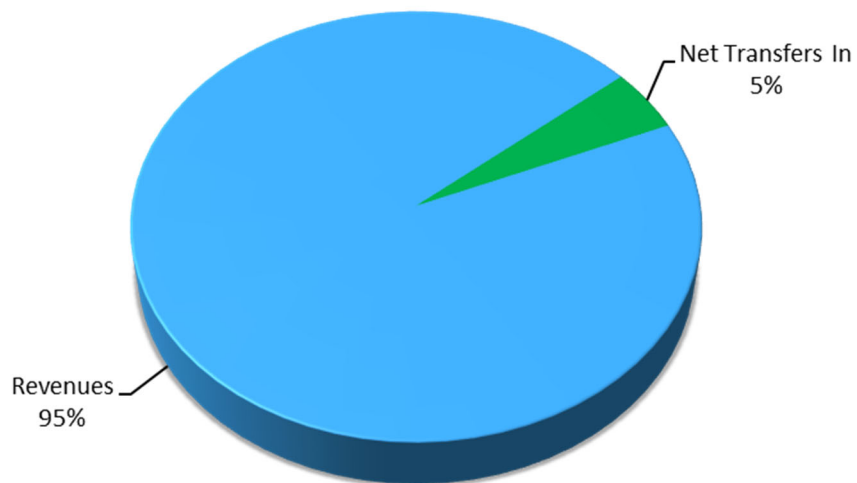
City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

Revenues by Source - Governmental Activities



All Governmental Resources



City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

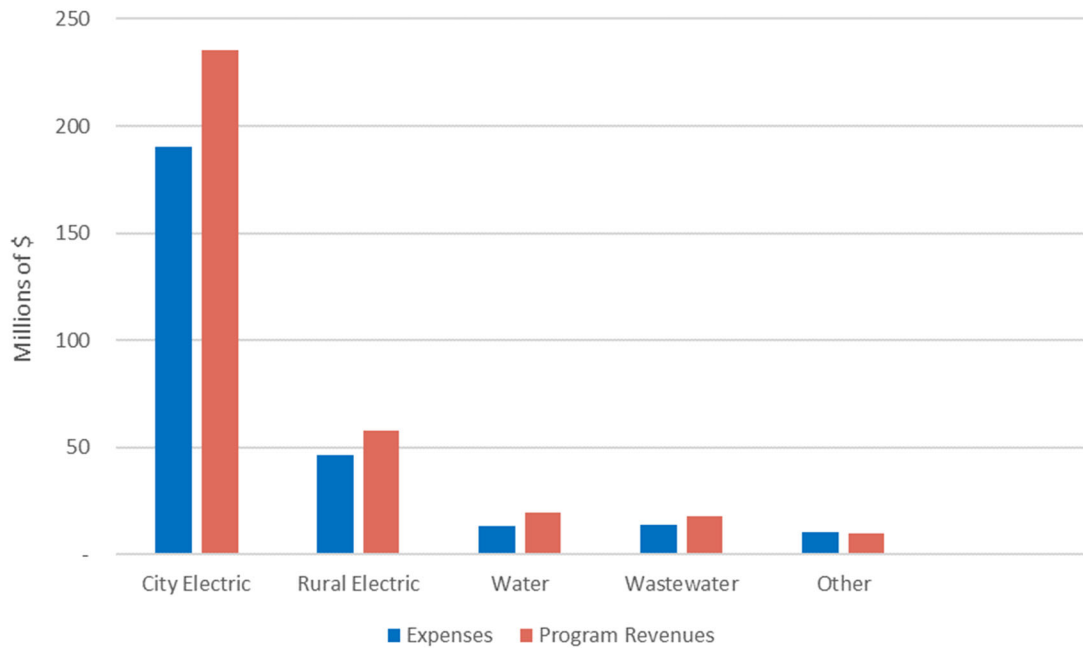
Business-type Activities. Business-type activities net position increased by \$75,684,477, or 11.5%, to \$730,996,268 in FY 2023. Charges for services for business-type activities decreased by \$2,798,021, or 0.8%, to \$335,765,926, and expenses increased by \$20,897,786, or 8.2%, to \$275,136,928. Key elements of the variances are as follows:

- Ending net position for the city electric system was \$365,123,628, of which \$128,085,174 was available to meet ongoing obligations. City electric system charges for services decreased by \$3,823,467, or 1.6%. Expenses for the city electric system which increased by \$16,331,150, or 9.4%, primarily due to higher departmental operating and maintenance expense compared to FY 2022.
- The ending net position for the rural electric system was \$106,177,989, of which \$35,381,859 is available for ongoing obligations. Rural electric system charges for services increased by \$181,833, or 0.3%. Rural electric expenses increased by \$2,351,910, or 5.4% due largely to higher fuel and purchased power costs compared to FY 2022.
- Water system ending net position for FY 2023 was \$96,277,434. The unrestricted portion of this net position was \$13,621,497. Water system charges for services increased by \$1,362,050, or 8.6%, in FY 2023 to \$17,286,917 primarily due to drier than expected weather in the fall and increased effluent water sales. Water system expenses increased by \$877,464, or 7.0%, in FY 2023.
- FY 2023 ending net position for the wastewater system was \$95,335,086, of which \$6,749,519 was unrestricted. Wastewater system charges for services increased by \$804,119, or 5.6%. Expenses for FY 2023 were \$14,195,673, an increase from FY 2022 of \$745,699, or 5.5%.
- Other business-type activities, considered non-major business-type activities, include the Solid Waste Fund, a general aviation airport, and Bryan Commerce and Development, Inc. ("BCD"). Charges for services and revenues for other business-type activities decreased by \$1,322,556, or 11.7%, to \$10,024,645 for FY 2023. Other business-type expenses were \$10,660,410 which is an increase of \$591,562, or 5.9%. See note 1 on page 51 for more information on BCD.

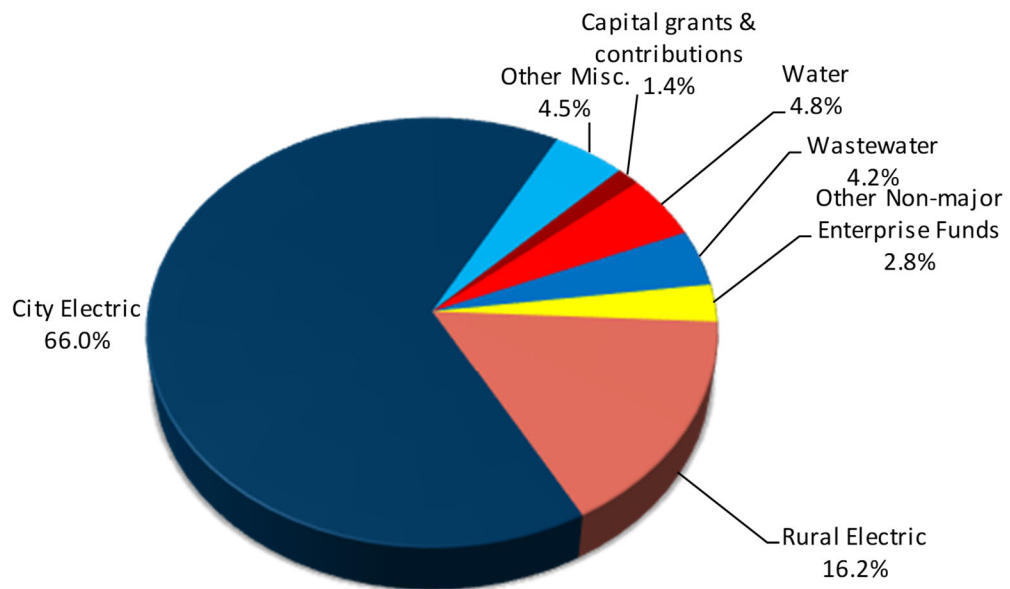
City of Bryan, Texas

Management's Discussion and Analysis
 For the Fiscal Year Ended September 30, 2023

Expenses and Program Revenues - Business Type Activities



Revenues by Source - Business-Type Activities



City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

Financial Analysis of the City's Funds

As noted earlier, the City of Bryan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements can be found starting on page 36 of this report.

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

General Fund. The General Fund is the primary governmental fund of the City of Bryan. The fund balance of the General Fund decreased by \$10,964,760, or 17.4% to \$52,156,870, during FY 2023 compared to an increase of \$12,184,441 in FY 2022. Revenues of the fund decreased by \$1,227,337, or 1.5%, and expenditures increased by \$12,422,258, or 15.0%, during FY 2023. Expenditures were in excess of revenues by \$16,350,300. FY 2023 net transfers totaled \$2,815,020. More detailed General Fund budgetary highlights are discussed below under the "General Fund Budgetary Highlights" section. Some items to note in the General Fund are:

- Property tax revenues to the General Fund increased by \$3,200,181, or 12.6%, to \$28,696,344 due to increased property assessed values from new growth.
- Sales tax revenues increased by \$1,130,635, or 3.8%, due to continued increases in food services, retail, general services, and inflation.
- Grant revenues decreased by \$9,823,216 primarily due to the American Rescue Plan Act Grant that was received in FY 2022.
- Charges for services increased by \$566,866, or 9.4% primarily due to an increase in ambulance revenues.
- Capital outlay increased in FY 2023 by \$7,657,346, primarily due to the drainage projects, reimbursement resolution projects, and vehicle purchases.
- Public safety expenditures increased by \$3,261,248, or 7.2%. This was mainly due to an increase in capital expenditures.
- Cultural and recreational expenses increased by \$1,046,153, or 14.0%, primarily due to an increase park activities and capital improvements.

Debt Service Fund. The Debt Service Fund ended FY 2023 with a total fund balance of \$24,830,282 compared to \$24,125,252 at the end of FY 2022. The fund balance is restricted for the payment of debt. Tax revenues in the Debt Service Fund increased by \$1,809,533, or 14.2%, to \$14,514,661. Debt service payments from the fund totaled \$16,694,708. Debt service is additionally supported by transfers from other funds of \$2,553,903.

Other Governmental Funds. The Other Governmental Funds include the Special Revenue Funds, Capital Project Funds, and Permanent Funds. The total fund balance in Other Governmental Funds decreased in FY 2023 by \$11,340,726, or 18.2%, compared to FY 2022 to \$50,954,092. This is primarily due to the capital outlay expenditures in the Capital Projects Funds of \$16,855,322.

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

Special Revenue Funds. The City's special revenue funds include the Grant Fund, Community Development Fund, Hotel and Motel Tax Fund, the Oil and Gas Fund, the Capital Reserve Fund, the Midtown Park Operations Fund, Phillips Event Center Fund, Queen and Palace Theatre Fund, the Sidewalks Fund, the Court Technology Fund, Tax Increment Reinvestment Zones (TIRZ), two special assessment funds (Street Improvement and Drainage Improvement Funds) and Destination Bryan. The fund balances in the special revenue funds increased by \$3,832,006, or 16.8%, in FY 2023.

- The Grant Fund is used to account for the receipt and expenditures of grants awarded to the City. Revenues for the fund were \$347,376 and total expenditures were \$377,862 spent on the various grant related activities primarily related to public safety.
- The Community Development Fund provides programs and services to low and moderate income persons. Revenues for the fund were \$1,021,213 and were primarily from grants. Total expenditures of \$989,656 were spent on the various housing programs funded by federal, state, and local grants.
- Hotel Tax Revenues, including interest income, for FY 2023 were \$2,440,108. Expenditures total \$815,765. These funds primarily go to fund the promotion the hotel and tourism industries in Bryan, TX.
- The Oil and Gas fund was established to account for revenues associated with oil and gas property taxes and lease and royalty payments to the City. Revenues for FY 2023 were \$364,634 made up primarily of property tax revenues and royalty payments. There were no expenditures in this fund during FY 2023. The ending fund balance for FY 2023 was \$1,596,724.
- The Capital Reserve fund was established to account for one-time revenues, specifically land sales in the Traditions development. These one-time revenues should be used for one-time expenditures per the establishing ordinance. During FY 2023 there were no transfers in for land sales. Revenues from investment earnings were \$42,612. There were no expenditures in this fund during FY 2023. The ending fund balance for FY 2023 was \$1,267,958.
- The Midtown Park Operations Fund was established to account for revenues and expenditures for operations at the City's Midtown Park, including Legends Event Center (LEC). Total revenues from for FY 2023 were \$1,466,907 and total expenditures were \$3,399,084. Transfers in from the General Fund to fund operations totaled \$2,167,307. Total ending fund balance for FY 2023 is \$2,211,584.
- The Phillips Event Center (PEC) Fund was established to account for PEC facilities and golf course activities. Revenues totaled \$1,701,699 for FY 2023. Total expenditures were \$4,076,638. Transfers in from the General Fund to fund operations totaled \$2,240,849. Total ending fund balance for FY 2023 is \$364,013.
- The Queen and Palace Theaters Fund was established to account for theater activities at both venues. Revenues totaled \$323,461 for FY 2023. Total expenditures were \$1,252,483. Transfers in from the General Fund to fund operations totaled \$1,021,988. Total ending fund balance for FY 2023 is \$170,408.
- The Street Improvement Fund revenues totaled \$6,778,446 and expenditures totaled \$3,957,961 on street maintenance and capital projects. The ending fund balance for FY 2023 was \$12,966,464. The fund balance in this fund is committed for street improvement projects.
- The Drainage Improvement Fund revenues totaled \$1,115,515 and expenditures totaled \$527,118 in FY 2023 on drainage projects throughout the City. Ending fund balance was \$1,490,419, which is committed for drainage projects.

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

- Destination Bryan, a blended component unit – see note 1 on page 51, revenues totaled \$84,700 and expenditures totaled \$2,271,032 on destination marketing and promotions. Transfers in from the General Fund and Hotel & Motel Tax Fund total \$2,215,000. Total ending fund balance for FY 2023 is \$64,358.

Capital Projects Funds. There were no new capital projects funds established in FY 2023. The total expenditures from Capital Projects Funds for FY 2023 were \$16,855,322. The fund balance in the Capital Project Funds is \$22,743,429, a decrease of \$15,300,464 from FY 2022. The fund balance is restricted or encumbered for capital projects.

Permanent Funds. Expenditures from the permanent funds come from spendable revenue generated by non-spendable donations in the form of interest earnings. In FY 2023 there were expenditures of \$7,811 for cemeteries. The fund balance increased by \$127,732 to \$1,582,804 due to contributions of \$85,050 and investment earnings of \$50,493. Non-spendable ending fund balances totaled \$1,465,582 for FY 2023. Spendable ending fund balances restricted for cemeteries was \$112,233 and spendable ending fund balances for libraries was \$4,989. These spendable fund balances are restricted to their stated purposes.

Proprietary Funds. The City of Bryan's Proprietary Funds are used to track the enterprise and internal service activities of the City. Detailed information regarding these activities is captured in the Business-Type activities in the Government Wide financial statements and is discussed above.

General Fund Budgetary Highlights

General Fund revenues are mainly derived from taxes, charges for services, fines, and grants. Other miscellaneous, non-operating revenues are derived from items such as one time sales of capital assets and other items. The General Fund budget to actual comparison can be found on pages 123-124. Property taxes in the General Fund are derived from the maintenance and operations portion of the tax rate ("M&O rate"). The M&O rate in effect during FY 2023 was \$0.412996 per \$100 of valuation. The adopted tax rate for FY 2023 was \$0.6240 per \$100 of valuation. The remainder of the tax rate is used to fund the City's debt service and is called the interest and sinking fund rate ("I&S rate"). The I&S rate for FY 2023 was \$0.211004 per \$100 of valuation.

Total General Fund revenues for FY 2023 were \$79,000,365 and were \$6,443,165, or 8.9%, over budget and \$1,227,337, or 1.5%, less than revenues in FY 2022. Tax revenues for the General Fund include property tax, sales tax, franchise tax, bingo tax, and alcoholic beverage tax. General Fund tax revenues were 78.6% of total General Fund revenues in FY 2023 and totaled \$62,070,648. Items to note regarding General Fund tax revenues for FY 2023 are:

- FY 2023 General Fund property tax revenues were \$28,696,344 and \$237,744, or 0.8%, over budget. Property tax revenues for FY 2023 were \$3,200,181, or 12.6%, above FY 2022 totals.
- Sales taxes were \$30,712,088 and \$448,088, or 1.5%, above budget in FY 2023. Compared to FY 2022 revenues, FY 2023 sales taxes were up by \$1,130,635, or 3.8%.

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

- Other miscellaneous taxes including franchise fees, mixed beverage and bingo taxes were \$2,662,216 and \$183,116 over budget collectively. Other taxes for FY 2023 were \$117,665 below FY 2022 revenues.

Charges for services in the General Fund include ambulance charges, recreational charges, health and public safety fees, and other miscellaneous charges. Charges for services make up 8.4% of General Fund total revenues in FY 2023. Some notable items in this category are:

- Ambulance charges in FY 2023 were \$3,851,844 and \$831,344, or 27.5%, above budget due to an increase in ambulance rates and number of runs.
- Revenues for recreational activities were \$873,074 and \$105,074, or 13.7%, above budget in FY 2023 primarily due to increased park activities.
- Health and public safety revenues were \$1,614,692 and \$162,308, or 9.1%, below budget for FY 2023 primarily due to estimated budget amounts for the County EMS contract and police escort revenues.
- Miscellaneous charges for services were \$282,007 and \$137,507 over budget for FY 2023.

Other categories of note for General Fund revenues include fines and court charges, licenses and permits, grants, investment earnings, and other revenues. Items to note in these categories are as follows:

- Fines and court charges of \$1,797,735 were \$299,335, or 20.0%, above budget in FY 2023 and above FY 2022 total by \$173,237, or 10.7%, due to an increase in citations as well as an increase in revenue per citation issued.
- Licenses and permit revenues for FY 2023 were \$1,022,262 and were \$95,262, or 10.3%, above budget, and were \$565,245, or 35.6%, below FY 2022 totals.
- Grant revenues were \$1,784,174 and were \$347,174 over budget for FY 2023, and were \$9,823,216 below FY 2022 totals. The decrease from FY 2022 was primarily due to the American Rescue Plan Act grant that was received in FY 2022.
- Other revenues, including investment earnings, of \$5,703,929 were \$3,920,829 above budget during FY 2023 and were \$4,207,870 above FY 2022 revenues. The budget variance is primarily due to the increase in interest rates.

Total General Fund operating expenditures are broken down into major categories in the accompanying required supplementary section of the report beginning on page 123. General fund activities are broken down into the following main categories:

- General Government and Administrative – This category includes Executive, City Secretary, Legal Services, Fiscal Services, Information Technology, Human Resources, and other administrative departments that serve the City.
- Development Services – This category includes Planning, Engineering, Building, and Special Projects.
- Public Works Services – Includes Drainage and Streets and Traffic Operations.
- Public Safety – Police, Fire and EMS, the Municipal Court, and the City of Bryan Animal Center/Control are included in this category.

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

- Cultural and Recreational – Includes the golf course, parks and recreation services, and the libraries.
- Other General Fund activities include capital expenditures, administrative reimbursements, and transfers in and out.

General Fund expenditures, including capital purchases, for the year totaled \$95,350,711 and were \$3,416,711, or 3.7%, above budget. Compared to FY 2022, expenditures increased by \$12,422,258, or 15.0%, during FY 2023. Increases in General Fund spending vs. FY 2022 were attributable to the personnel costs and capital outlay.

Total general government and administrative expenditures were \$23,851,199 and were \$481,401, or 2.0%, below budget for FY 2023. This category makes up 25.0% of total FY 2023 General Fund expenditures. Some notable budget variances in this category are payments to other agencies which were above budget by \$819,401 due to development agreement incentive payments and information technology expenditures were below budget by \$641,458, or 8.6%, due to decreases in personnel costs from vacancies.

Development services finished FY 2023 below budget by \$669,999, or 12.5%. Expenditure totals in this category were \$4,698,701 and made up 4.9% of total General Fund expenditures for FY 2023. Notable budget variances in this category include engineering which was \$355,904, or 19.2%, below budget for FY 2023. This variance is primarily due to the timing of contractual services associated with capital projects and personnel costs.

Public Works services total expenditures for FY 2023 were \$3,830,704 and made up 4.0% of total General Fund expenditures for the year. Overall Public Works was \$411,646, or 9.7%, below budget due to timing of projects.

Public Safety expenditures for FY 2023 were \$48,589,847 and were \$931,903, or 1.9%, below budget for the year. Compared to FY 2022, expenditures were \$3,261,248, or 7.2%, higher primarily due to the personnel costs. Public safety accounts for 51.0% of all General Fund expenditures in FY 2023.

Cultural and recreational services expenditures for FY 2023 total \$8,516,334 and were \$607,766, or 6.7%, below budget for the year. Expenditures in this category were \$1,046,153, or 14.0% above FY 2022 spending levels. Cultural and recreational services accounts for 8.9% of all General Fund expenditures in FY 2023.

Capital expenditures for the General Fund were \$11,609,943 and were \$5,782,643, above budget for FY 2023. This budget variance was due to the timing of capital projects including reimbursement resolution spending for future bond issuance. Compared to FY 2022, expenditures were \$7,657,346 higher.

Capital Asset and Debt Administration

Capital Assets. The City of Bryan's capital assets, including right-to-use lease and subscription based information technology agreement (SBITA) assets, for its governmental and business-type activities as of September 30, 2023 was \$1,159,159,010 (net of accumulated depreciation and amortization), an increase

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

of \$88,046,939, or 8.2%. This investment in capital assets includes land, park facilities, buildings and system improvements, machinery and equipment, street and drainage systems, and construction in progress.

Capital Assets for FY 2023 included the following:

| | City of Bryan's Capital Assets* | | | | | |
|----------------------------|---------------------------------|-----------------------|--------------------------|-----------------------|-------------------------|-------------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 14,074,955 | \$ 14,073,708 | \$ 36,405,028 | \$ 30,074,230 | \$ 50,479,983 | \$ 44,147,938 |
| Intangibles | 1,674 | 21,757 | - | - | 1,674 | 21,757 |
| Intangibles - right of use | 1,066,824 | - | - | - | 1,066,824 | - |
| Buildings | 25,375,816 | 25,834,055 | 18,918,320 | 19,810,984 | 44,294,136 | 45,645,039 |
| Buildings - right of use | 1,201,348 | 1,496,460 | - | - | 1,201,348 | 1,496,460 |
| Equipment | 11,946,090 | 10,832,565 | 6,692,148 | 5,332,066 | 18,638,238 | 16,164,631 |
| Equipment - right of use | 2,143,116 | 76,110 | 57,664 | 76,885 | 2,200,780 | 152,995 |
| Improvements | 31,394,941 | 23,407,130 | 702,246,783 | 625,487,766 | 733,641,724 | 648,894,896 |
| Infrastructure | 140,473,141 | 124,511,997 | - | - | 140,473,141 | 124,511,997 |
| Construction in Progress | 79,241,755 | 76,468,573 | 87,079,597 | 112,441,797 | 166,321,352 | 188,910,370 |
| Retirement in Progress | - | - | 839,810 | 1,165,988 | 839,810 | 1,165,988 |
| Total | \$ 306,919,660 | \$ 276,722,355 | \$ 852,239,350 | \$ 794,389,716 | \$ 1,159,159,010 | \$ 1,071,112,071 |

*Note: Net of accumulated depreciation and amortization. See Note 4.

Additional information on the City's capital assets can be found in note 4 to the financial statements on page 74 of this report.

Long-term Debt. At the end of FY 2023, the City of Bryan had total debt, net of premiums and discounts, outstanding of \$583,019,859. Of this amount, \$227,531,700 (general obligation bonds and certificates of obligation net of premiums and discounts) comprises debt backed by the full faith and credit of the City. The remainder of the City's debt is secured by specified revenue sources (revenue bonds).

| | Outstanding Debt at Year End | | | | | |
|---------------------------------|------------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| General obligation bonds | \$ 74,357,965 | \$ 81,802,127 | \$ 3,762,035 | \$ 5,312,873 | \$ 78,120,000 | \$ 87,115,000 |
| Certificates of obligation | 114,360,000 | 117,405,000 | 29,440,000 | 30,925,000 | 143,800,000 | 148,330,000 |
| Revenue bonds | - | - | 301,175,000 | 314,020,000 | 301,175,000 | 314,020,000 |
| Private placement-revenue bonds | - | - | 22,385,000 | 24,330,000 | 22,385,000 | 24,330,000 |
| Premium (discount) | 5,217,141 | 5,611,700 | 32,322,718 | 34,345,720 | 37,539,859 | 39,957,420 |
| Total, net | \$ 193,935,106 | \$ 204,818,827 | \$ 389,084,753 | \$ 408,933,593 | \$ 583,019,859 | \$ 613,752,420 |

During FY 2023, the City's total debt decreased by \$30,732,561, or 5.0%, net of premiums and discounts. The City did not issue any new debt in FY 2023. The City total decrease was related to retired outstanding debt (net of all premium or discounts).

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

The City's General Obligation, Certificates of Obligation and Revenue bond ratings are listed below.

| | Standard & Poor's | Fitch |
|--------------------------------------|----------------------|-------|
| General Obligation Bonds | AA | NR |
| Revenue Bonds - Waterworks and Sewer | AA | NR |
| Revenue Bonds - City Electric | A+ | AA- |
| Revenue Bonds - Rural Electric | A+ | AA- |

Additional information on the City's long-term debt can be found in note 5 to the financial statements on pages 76-82 of this report.

Economic Factors and Next Year's Budgets and Rates

Bryan maintained its strong growth during FY 2023, realizing increases in property values and increases in sales tax revenues which positively impacted the City's governmental funds. Bryan and neighboring College Station are the economic center of the region comprised of Brazos County and the surrounding seven counties which allows the City to maintain its strong growth. While not immune from factors that affect the state and national economies, the area is somewhat insulated due to the concentration of stable or growing employment sectors: higher education, government and health care. Five of the top ten employers in the area fall into these classifications. The diverse economy in Bryan helped maintain the financial reliability of the City during the economic fluctuations.

Ad valorem property taxes comprised approximately 38.8% of General Fund revenues in FY 2023. FY 2024 budgeted General Fund property tax revenues projected an increase of 20.4% from FY 2023 to with the continued growth of new properties in Bryan. A decrease in the overall property tax rate led to a slightly lower M&O rate which partially offsets the growth in General Fund revenues. FY 2024 sales tax revenue is budgeted to increase by 0.1% when compared to FY 2023 adopted sales tax revenue due to the slowdown in the economy related to consumer spending. FY 2023 sales tax revenues exceeded FY 2022 by 3.8% primarily due to the continued growth within the city as well as inflation.

Revenues for the entire electric system for FY 2024 are budgeted to be \$297,403,413, which is an increase of \$15,232,661, or 5.4%, in FY 2024 versus the FY 2023 adopted budget due to increases in fuel pass through revenues and retail electric sales. FY 2024 budgeted electric expenditures are projected to be \$281,848,395, which is an increase of \$3,400,392, or 1.2% from the FY 2023 adopted budget.

Revenues budgeted for the Water Fund for FY 2024 are \$15,167,100, and are \$440,700, or 3.0%, higher than FY 2023 budgeted revenues. Total expenditures for the Water Fund, including debt service and capital expenditures, are budgeted to increase by \$5,535,900, or 33.1%, due to increased water system capital.

City of Bryan, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023

The Wastewater Fund budget for FY 2024 projects revenues of \$15,123,000, which is \$837,200, or 5.9%, higher than the FY 2023 budget. Budgeted expenditures for FY 2023 are \$19,341,300 which is \$2,358,300, or 13.9% above the FY 2023 budget. This increase is attributable to increased wastewater system capital.

Requests for Information

This financial report is designed to provide a general overview of the City of Bryan's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Bryan, Fiscal Services Department, Attention: Chief Financial Officer, P.O. Box 1000, Bryan, Texas 77805-1000 or visit our website at <http://www.bryantx.gov>.



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CITY OF BRYAN, TEXAS
Statement of Net Position
As of September 30, 2023

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|-------------------------|---------------------------------|
| | Governmental Activities | Business-type Activities | Total | Bryan Business Council, Inc. |
| <u>Assets</u> | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 18,062,983 | \$ 65,463,848 | \$ 83,526,831 | \$ 577,273 |
| Investments | 115,285,122 | 104,964,068 | 220,249,190 | 6,159,936 |
| Receivables: | | | | |
| Accounts | 10,940,774 | 36,802,647 | 47,743,421 | - |
| Less allowance for uncollectible | (6,160,795) | (749,446) | (6,910,241) | - |
| Notes receivable | 416,358 | - | 416,358 | 25,000 |
| Property taxes | 1,627,759 | - | 1,627,759 | - |
| Less allowance for uncollectible | (1,436,215) | - | (1,436,215) | - |
| Sales taxes | 5,234,201 | - | 5,234,201 | - |
| Grants | 293,985 | 46,086 | 340,071 | - |
| Leases | 357,490 | - | 357,490 | - |
| Interest | 1,177,173 | 2,483,179 | 3,660,352 | - |
| Derivative financial instruments (current portion) | - | - | - | - |
| Internal balances | (1,718,985) | 1,718,985 | - | - |
| Inventories | 380,974 | 2,329,439 | 2,710,413 | - |
| Under-recovered fuel cost | - | 4,012,901 | 4,012,901 | - |
| Under-recovered regulatory fee | - | 1,110,716 | 1,110,716 | - |
| Prepaid and other assets | 222,461 | 6,062,732 | 6,285,193 | 5,000 |
| Total current assets | <u>144,683,285</u> | <u>224,245,155</u> | <u>368,928,440</u> | <u>6,767,209</u> |
| Noncurrent assets: | | | | |
| Receivables: | | | | |
| Leases | 1,834,161 | - | 1,834,161 | - |
| Notes receivable | 3,692,026 | - | 3,692,026 | - |
| Less allowance for uncollectible - notes | (150,498) | - | (150,498) | - |
| TMPA decommissioning | - | 7,842,767 | 7,842,767 | - |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | 21,819,895 | 21,819,895 | - |
| Investments | 1,465,582 | 126,834,216 | 128,299,798 | - |
| Investment in BSWMA, Inc. | - | 24,505,786 | 24,505,786 | - |
| Investment in Economic Development Foundation | 4,864,426 | - | 4,864,426 | - |
| Capital assets: | | | | |
| Intangible assets | 60,250 | - | 60,250 | - |
| Land | 14,074,955 | 36,405,028 | 50,479,983 | 12,393,449 |
| Buildings | 48,692,113 | 27,723,458 | 76,415,571 | - |
| Improvements other than buildings | 66,174,641 | 1,138,695,996 | 1,204,870,637 | - |
| Machinery and equipment | 49,619,005 | 24,741,659 | 74,360,664 | - |
| Infrastructure | 297,323,066 | - | 297,323,066 | - |
| Construction in progress | 79,241,755 | 87,079,597 | 166,321,352 | 69,850 |
| Retirement in progress | - | 839,810 | 839,810 | - |
| Less accumulated depreciation | (252,677,413) | (463,303,862) | (715,981,275) | - |
| Right-to-use lease assets | 3,996,608 | 96,106 | 4,092,714 | - |
| Less accumulated amortization | (652,144) | (38,442) | (690,586) | - |
| Right-to-use Subscription Based IT Arrangement assets | 1,295,429 | - | 1,295,429 | - |
| Less accumulated amortization | (228,605) | - | (228,605) | - |
| Total capital assets | <u>306,919,660</u> | <u>852,239,350</u> | <u>1,159,159,010</u> | <u>12,463,299</u> |
| Total noncurrent assets | <u>318,625,357</u> | <u>1,033,242,014</u> | <u>1,351,867,371</u> | <u>12,463,299</u> |
| Total assets | <u>\$ 463,308,642</u> | <u>\$ 1,257,487,169</u> | <u>\$ 1,720,795,811</u> | <u>\$ 19,230,508</u> |
| <u>Deferred outflows</u> | | | | |
| Accumulated decrease in fair value of of hedging derivatives | \$ - | \$ 1,342,128 | \$ 1,342,128 | \$ - |
| Pensions | 26,321,018 | 14,555,138 | 40,876,156 | - |
| Other post-employment benefits (OPEB) | 2,972,546 | 1,449,234 | 4,421,780 | - |
| Unamortized loss on refunded debt | 496,229 | 565,206 | 1,061,435 | - |
| Total deferred outflows | <u>\$ 29,789,793</u> | <u>\$ 17,911,706</u> | <u>\$ 47,701,499</u> | <u>\$ -</u> |

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

CITY OF BRYAN, TEXAS

Statement of Net Position
As of September 30, 2023

| | Primary Government | | | Component Unit Bryan Business Council, Inc. |
|---|----------------------------|-----------------------------|-----------------------|---|
| | Governmental Activities | Business-type Activities | Total | |
| <u>Liabilities</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 6,671,910 | \$ 18,403,741 | \$ 25,075,651 | \$ 16,181 |
| Accrued liabilities and retainage | 4,302,988 | 832,336 | 5,135,324 | 8,256 |
| Claims | 1,590,926 | - | 1,590,926 | - |
| Accrued vacation and sick pay | 3,277,441 | 1,539,397 | 4,816,838 | - |
| Unearned revenue | 11,141,886 | 266,466 | 11,408,352 | - |
| Notes | - | - | - | 443,043 |
| Leases | 487,774 | 37,645 | 525,419 | - |
| Subscription Based IT Arrangements (SBITAs) | 207,989 | - | 207,989 | - |
| Derivative financial instruments | - | 1,210,268 | 1,210,268 | - |
| Payable from restricted assets: | | | | |
| Accrued interest | 701,105 | 3,365,580 | 4,066,685 | - |
| Counter Party Collateral | - | 63,520,000 | 63,520,000 | - |
| Bonds payable, net | 11,667,955 | 20,379,606 | 32,047,561 | - |
| Customer deposits | 152,368 | 6,449,261 | 6,601,629 | - |
| Total current liabilities | <u>40,202,342</u> | <u>116,004,300</u> | <u>156,206,642</u> | <u>467,480</u> |
| Noncurrent liabilities: | | | | |
| Bonds payable, net | 182,267,151 | 368,705,147 | 550,972,298 | - |
| Notes payable | - | - | - | 12,373,130 |
| Interfund Advance | (18,887,502) | 18,887,502 | - | - |
| Claims | 1,087,989 | - | 1,087,989 | - |
| Derivative financial instruments | - | 131,860 | 131,860 | - |
| Net pension liability (NPL) | 17,369,010 | 9,952,444 | 27,321,454 | - |
| Net other post employment benefits liability (OPEB) | 12,029,445 | 6,453,984 | 18,483,429 | - |
| Accrued liabilities | - | 306,351 | 306,351 | - |
| Accrued vacation and sick pay | 6,626,411 | 832,189 | 7,458,600 | - |
| Leases | 2,910,829 | 40,717 | 2,951,546 | - |
| SBITAs | 696,499 | - | 696,499 | - |
| Total noncurrent liabilities | <u>204,099,832</u> | <u>405,310,194</u> | <u>609,410,026</u> | <u>12,373,130</u> |
| Total liabilities | <u>244,302,174</u> | <u>521,314,494</u> | <u>765,616,668</u> | <u>12,840,610</u> |
| <u>Deferred Inflows</u> | | | | |
| Unamortized gain on refunding debt | - | 2,642,292 | 2,642,292 | - |
| Other post employment benefits | 951,638 | 360,536 | 1,312,174 | - |
| Deferred regulatory liability | - | 20,085,285 | 20,085,285 | - |
| Deferred lease receivable | 2,195,660 | - | 2,195,660 | - |
| Total deferred inflows | <u>\$ 3,147,298</u> | <u>\$ 23,088,113</u> | <u>\$ 26,235,411</u> | <u>\$ -</u> |
| <u>Net Position</u> | | | | |
| Net investment in capital assets | \$ 181,533,378 | \$ 502,511,704 | \$ 684,045,082 | \$ (352,874) |
| Restricted for: | | | | |
| BVSWMA, Inc. | - | 24,505,786 | 24,505,786 | - |
| Economic Development Foundation | 4,864,426 | - | 4,864,426 | - |
| Debt reserve | - | 2,824,100 | 2,824,100 | - |
| Debt service | 5,299,701 | 6,303,153 | 11,602,854 | - |
| Perpetual care: | | | | |
| Expendable | 117,222 | - | 117,222 | - |
| Nonexpendable | 1,465,582 | - | 1,465,582 | - |
| Rate stabilization | - | 1,749,928 | 1,749,928 | - |
| Noncurrent notes receivable | 3,541,528 | - | 3,541,528 | - |
| Tax abatements | 2,205,446 | - | 2,205,446 | - |
| Police activities | 150,284 | - | 150,284 | - |
| Court activities | 396,446 | - | 396,446 | - |
| Record preservation | 38,577 | - | 38,577 | - |
| TIRZ Development | 4,107,226 | - | 4,107,226 | - |
| Hotel/Motel | 2,153,006 | - | 2,153,006 | - |
| Other purposes | 1,529,448 | - | 1,529,448 | - |
| Unrestricted | 38,246,693 | 193,101,597 | 231,348,290 | 6,742,772 |
| Total net position | <u>\$ 245,648,963</u> | <u>\$ 730,996,268</u> | <u>\$ 976,645,231</u> | <u>\$ 6,389,898</u> |

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

CITY OF BRYAN, TEXAS

Statement of Activities

For the Fiscal Year Ended September 30, 2023

| Functions/Programs | Expenses | Program Revenues | | | Net Revenue (Expense) and Changes in Net Position | | | Component Unit Bryan Business Council, Inc. |
|---|----------------|---|--|--|---|-----------------------------|-----------------|---|
| | | Fees, Fines and Charges for Service | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government and administration | \$ 24,174,546 | \$ 282,007 | \$ 209,050 | \$ - | \$ (23,683,489) | \$ - | \$ (23,683,489) | \$ - |
| Development services | 5,856,843 | 1,022,262 | 894,570 | - | (3,940,011) | - | (3,940,011) | - |
| Public works services | 14,639,232 | - | 293,111 | 9,860,741 | (4,485,380) | - | (4,485,380) | - |
| Public safety | 49,622,658 | 7,300,441 | 378,616 | - | (41,943,601) | - | (41,943,601) | - |
| Cultural and recreational | 16,568,038 | 4,306,369 | 1,248,917 | - | (11,012,752) | - | (11,012,752) | - |
| Interest and fiscal charges | 6,015,107 | - | - | - | (6,015,107) | - | (6,015,107) | - |
| Total governmental activities | 116,876,424 | 12,911,079 | 3,024,264 | 9,860,741 | (91,080,340) | - | (91,080,340) | - |
| Business-type activities: | | | | | | | | |
| City electric | 190,574,316 | 235,528,777 | - | - | - | 44,954,461 | 44,954,461 | - |
| Rural electric | 46,281,887 | 57,824,648 | - | - | - | 11,542,761 | 11,542,761 | - |
| Water | 13,424,642 | 17,286,917 | - | 2,573,815 | - | 6,436,090 | 6,436,090 | - |
| Wastewater | 14,195,673 | 15,100,939 | - | 2,582,279 | - | 3,487,545 | 3,487,545 | - |
| Other nonmajor enterprise funds | 10,660,410 | 10,024,645 | - | - | - | (635,765) | (635,765) | - |
| Total business-type activities | 275,136,928 | 335,765,926 | - | 5,156,094 | - | 65,785,092 | 65,785,092 | - |
| Total primary government | \$ 392,013,352 | \$ 348,677,005 | \$ 3,024,264 | \$ 15,016,835 | \$ (91,080,340) | \$ 65,785,092 | \$ (25,295,248) | \$ - |
| Component unit: | | | | | | | | |
| Bryan Business Council, Inc. | \$ 2,203,449 | \$ - | \$ 546,625 | \$ - | \$ - | \$ - | \$ - | \$ (1,656,824) |
| General revenues: | | | | | | | | |
| Property taxes | | | | | \$ 48,823,436 | \$ - | \$ 48,823,436 | \$ - |
| Sales taxes | | | | | 30,712,088 | - | 30,712,088 | - |
| Franchise taxes | | | | | 2,092,162 | - | 2,092,162 | - |
| Alcoholic beverage taxes | | | | | 307,698 | - | 307,698 | - |
| Bingo taxes | | | | | 262,356 | - | 262,356 | - |
| Hotel occupancy taxes | | | | | 2,349,175 | - | 2,349,175 | - |
| Transportation and drainage assessments | | | | | 7,517,363 | - | 7,517,363 | - |
| Unrestricted investment earnings | | | | | 5,521,320 | 12,060,621 | 17,581,941 | - |
| Miscellaneous | | | | | 2,396,920 | 4,065,477 | 6,462,397 | 250,362 |
| Transfers (net) | | | | | 6,226,713 | (6,226,713) | - | - |
| Total general revenues and transfers | | | | | 106,209,231 | 9,899,385 | 116,108,616 | 250,362 |
| Change in net position | | | | | 15,128,891 | 75,684,477 | 90,813,368 | (1,406,462) |
| Net position, October 1, 2022 | | | | | 230,520,072 | 655,311,791 | 885,831,863 | 7,796,360 |
| Net position, September 30, 2023 | | | | | \$ 245,648,963 | \$ 730,996,268 | \$ 976,645,231 | \$ 6,389,898 |

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



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CITY OF BRYAN, TEXAS

Balance Sheet

Governmental Funds

As of September 30, 2023

| | General Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------------|--------------------------------|--------------------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 8,561,893 | \$ 432,088 | \$ 7,072,798 | \$ 16,066,779 |
| Investments | 53,939,687 | 3,097,734 | 45,366,476 | 102,403,897 |
| Receivables: | | | | |
| Accounts | 9,859,448 | - | 1,081,326 | 10,940,774 |
| Less allowance for uncollectible | (6,098,899) | - | (61,896) | (6,160,795) |
| Property taxes | 1,131,348 | 496,411 | - | 1,627,759 |
| Less allowance for uncollectible | (1,004,561) | (431,654) | - | (1,436,215) |
| Sales taxes | 5,234,201 | - | - | 5,234,201 |
| Grants | 10,904 | - | 283,081 | 293,985 |
| Interest | 540,659 | 31,003 | 462,077 | 1,033,739 |
| Lease Receivable | 660,133 | - | 1,531,518 | 2,191,651 |
| Notes receivable | 15,766 | 1,881,413 | 2,211,205 | 4,108,384 |
| Less allowance for uncollectible | - | - | (150,498) | (150,498) |
| Due from other funds | 709,671 | - | 149,568 | 859,239 |
| Interfund Advance | - | 19,381,313 | - | 19,381,313 |
| Inventory | - | - | 113,109 | 113,109 |
| Prepaid and other assets | 41,256 | - | 181,205 | 222,461 |
| Total assets | <u>\$ 73,601,506</u> | <u>\$ 24,888,308</u> | <u>\$ 58,239,969</u> | <u>\$ 156,729,783</u> |
| <u>Liabilities, Deferred Inflows, and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 4,253,949 | \$ - | \$ 2,031,039 | \$ 6,284,988 |
| Accrued liabilities | 3,186,509 | - | 25,680 | 3,212,189 |
| Retainage payable | 97,156 | - | 956,812 | 1,053,968 |
| Due to other funds | 380,291 | - | 403,902 | 784,193 |
| Customer deposits | 152,368 | - | - | 152,368 |
| Unearned revenue | 10,825,024 | - | 316,862 | 11,141,886 |
| Total liabilities | <u>18,895,297</u> | <u>-</u> | <u>3,734,295</u> | <u>22,629,592</u> |
| Deferred inflows: | | | | |
| Unavailable property taxes | 112,533 | 58,026 | - | 170,559 |
| Deferred inflows - right of use assets | 714,635 | - | 1,481,025 | 2,195,660 |
| Unavailable notes receivable | - | - | 2,060,707 | 2,060,707 |
| Other unavailable revenue | 1,722,171 | - | 9,850 | 1,732,021 |
| Total deferred inflows | <u>2,549,339</u> | <u>58,026</u> | <u>3,551,582</u> | <u>6,158,947</u> |
| Fund balances: | | | | |
| Nonspendable | 57,022 | 1,881,413 | 1,646,787 | 3,585,222 |
| Restricted | 4,087,773 | 22,948,869 | 29,943,011 | 56,979,653 |
| Committed | 6,181,714 | - | 19,971,550 | 26,153,264 |
| Assigned | 22,701,787 | - | - | 22,701,787 |
| Unassigned | 19,128,574 | - | (607,256) | 18,521,318 |
| Total fund balances | <u>52,156,870</u> | <u>24,830,282</u> | <u>50,954,092</u> | <u>127,941,244</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 73,601,506</u> | <u>\$ 24,888,308</u> | <u>\$ 58,239,969</u> | <u>\$ 156,729,783</u> |

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

CITY OF BRYAN, TEXAS

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

As of September 30, 2023

| | | |
|--|---------------|-----------------------|
| Total fund balances - governmental funds | | \$ 127,941,244 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets and leases used in governmental activities are not financial resources and therefore, are not reported in the funds. (Includes net capital assets of the Internal service funds in the amount of \$57,026). | | 306,919,660 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | 3,963,287 |
| The City's equity in the Economic Development Foundation is included in the Statement of Net Position but is not included at the fund level. | | 4,864,426 |
| Internal service funds are used by management to charge the costs of risk management, employee health insurance benefits and central warehousing to individual funds. The assets and liabilities of the internal service funds related to governmental activities are included in the governmental activities in the statement of net position. (Net of amount allocated to business-type activities of \$2,209,573, net capital assets in the amount of \$57,026. | | 11,262,816 |
| Interest payable on long-term debt does not require current financial resources, and therefore, is not reported as a liability in the governmental funds balance sheet. | | (701,105) |
| Long-term liabilities and assets and related deferred outflows and inflows including bonds payable, net pension asset, net OPEB liability and compensated absences, are not due and payable in the current period and therefore are not reported in the funds. These items are detailed below: | | |
| General obligation bonds payable | \$ 74,357,965 | |
| Certificates of obligation payable | 114,360,000 | |
| Premium (discount) on bonds payable | 5,217,141 | |
| Deferred amount on refunding | (496,229) | |
| Net Pension Liability | 17,108,805 | |
| Net other post employment benefits liability | 11,845,437 | |
| Deferred amounts on pensions (net) | (25,931,721) | |
| Deferred amounts on OPEB (net) | (1,990,289) | |
| Lease payable | 3,398,603 | |
| SBITA payable | 904,488 | |
| Accrued vacation and sick leave (Net of internal service fund liability of \$76,686) | 9,827,165 | (208,601,365) |
| Net position of governmental activities | | <u>\$ 245,648,963</u> |

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

CITY OF BRYAN, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended September 30, 2023

| | General Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| Property taxes | \$ 28,696,344 | \$ 14,514,661 | \$ 5,517,725 | \$ 48,728,730 |
| Sales taxes | 30,712,088 | - | - | 30,712,088 |
| Franchise taxes | 2,092,162 | - | - | 2,092,162 |
| Alcoholic beverage taxes | 307,698 | - | - | 307,698 |
| Bingo taxes | 262,356 | - | - | 262,356 |
| Hotel occupancy taxes | - | - | 2,349,175 | 2,349,175 |
| Transportation and drainage assessments | - | - | 7,517,363 | 7,517,363 |
| Charges for services | 6,621,617 | - | - | 6,621,617 |
| Fines and court charges | 1,797,735 | - | 36,170 | 1,833,905 |
| Licenses and permits | 1,022,262 | - | - | 1,022,262 |
| Grants | 1,784,174 | - | 1,240,090 | 3,024,264 |
| Investment earnings | 2,516,431 | 298,797 | 2,155,537 | 4,970,765 |
| Investment mark to market | 183,571 | (43,666) | 251,186 | 391,091 |
| Oil and gas royalties | - | - | 134,763 | 134,763 |
| Parks and Recreation | - | - | 3,433,295 | 3,433,295 |
| Destination Bryan | - | - | 84,700 | 84,700 |
| Other | 3,003,973 | 76,043 | 220,860 | 3,300,876 |
| Total revenues | <u>79,000,411</u> | <u>14,845,835</u> | <u>22,940,864</u> | <u>116,787,110</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government and administration | 17,368,400 | - | 2,271,032 | 19,639,432 |
| Development services | 4,698,701 | - | 1,149,110 | 5,847,811 |
| Public works services | 3,830,704 | - | 802,920 | 4,633,624 |
| Public safety | 48,589,847 | - | 215,490 | 48,805,337 |
| Cultural and recreational | 8,516,334 | - | 6,582,489 | 15,098,823 |
| Capital outlay | 11,609,943 | - | 23,784,069 | 35,394,012 |
| Debt service: | | | | |
| Bond and principal retirement | - | 10,489,162 | - | 10,489,162 |
| Interest and fiscal charges | - | 6,205,546 | - | 6,205,546 |
| Debt issuance costs | - | - | - | - |
| Right of use principal | 622,430 | - | 82,724 | 705,154 |
| Right of use interest | 114,352 | - | 5,570 | 119,922 |
| Total expenditures | <u>95,350,711</u> | <u>16,694,708</u> | <u>34,893,404</u> | <u>146,938,823</u> |
| Excess (deficiencies) of revenues over (under) expenditures | <u>(16,350,300)</u> | <u>(1,848,873)</u> | <u>(11,952,540)</u> | <u>(30,151,713)</u> |
| Other financing sources (uses): | | | | |
| Sales of capital assets | 462,000 | - | - | 462,000 |
| Lease Financing | 2,108,520 | - | - | 2,108,520 |
| Transfers in | 19,915,360 | 2,553,903 | 7,645,144 | 30,114,407 |
| Transfers out | (17,100,340) | - | (7,033,330) | (24,133,670) |
| Total other financing sources (uses) | <u>5,385,540</u> | <u>2,553,903</u> | <u>611,814</u> | <u>8,551,257</u> |
| Net change in fund balances | (10,964,760) | 705,030 | (11,340,726) | (21,600,456) |
| Fund balances, October 1, 2022 | 63,121,630 | 24,125,252 | 62,294,818 | 149,541,700 |
| Fund balances, September 30, 2023 | <u>\$ 52,156,870</u> | <u>\$ 24,830,282</u> | <u>\$ 50,954,092</u> | <u>\$ 127,941,244</u> |

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

CITY OF BRYAN, TEXAS

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended September 30, 2023

Net change in fund balances - total governmental funds \$ (21,600,456)

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount of capital assets recorded in the current period. 35,320,520

The City's investment in the Economic Development Foundation is reported at the government-wide level but not at the fund level. (79,742)

The net effect of various transactions involving capital assets (i.e., sales and contributions) is to increase net position. 9,407,945

Depreciation expense on capital assets and amortization expense on leases reported in the government-wide statement of activities does not require the use of current financial resources. Therefore, depreciation and amortization expense is not reported as an expenditure in governmental funds. (15,814,387)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is detailed below:

| | |
|--------------------------------|-------------|
| Debt principal repayments | 10,489,162 |
| Lease issuance | (2,108,520) |
| Lease/SBITA principal payments | 705,154 |

Some expenses related to long-term liabilities reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. (2,824,495)

Accrued interest expense on long-term debt is reported in the government-wide statement of activities, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. 310,361

Some property taxes will not be collected for several months after the City's fiscal year end, and are not considered "available" revenues in the governmental funds. 94,706

Some notes receivable will not be collected for several months after the City's fiscal year end, and are not considered "available" revenues in the governmental funds. 652,935

Internal service funds are used by management to charge the costs of risk management, employee health insurance benefits and central warehousing to individual funds. The net revenue of the internal service funds related to governmental activities is reported with governmental activities (depreciation expense of \$12,459 allocated above and net of amount allocated to business-type activities of (\$646,759). 575,708

Change in net position of governmental activities. \$ 15,128,891

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

CITY OF BRYAN, TEXAS
Statement of Net Position
Proprietary Funds
As of September 30, 2023

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities |
|---|---|-----------------------|-----------------------|-----------------------|------------------------|-------------------------|-------------------------|
| | City Electric Fund | Rural Electric Fund | Water Fund | Wastewater Fund | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
| <u>Assets</u> | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | \$ 47,046,873 | \$ 14,423,095 | \$ 1,684,149 | \$ 1,145,311 | \$ 1,164,421 | \$ 65,463,848 | \$ 1,996,204 |
| Investments | 63,258,202 | 13,041,152 | 12,087,585 | 8,220,004 | 8,357,124 | 104,964,068 | 14,346,807 |
| Accounts receivable | 25,196,121 | 6,669,424 | 2,641,976 | 1,647,069 | 648,057 | 36,802,647 | - |
| Less allowance for uncollectible | (428,165) | (157,559) | (56,286) | (60,275) | (47,161) | (749,446) | - |
| Grants receivable | - | - | - | - | 46,086 | 46,086 | - |
| Interest receivable | 2,186,950 | - | 126,179 | 86,394 | 83,656 | 2,483,179 | 143,434 |
| Inventories | 1,606,963 | - | 661,312 | - | 61,164 | 2,329,439 | 267,865 |
| Due from other funds | 776,735 | - | 611,393 | 374,683 | 201,157 | 1,963,968 | 415,802 |
| Under-recovered regulatory fee | 923,973 | 186,743 | - | - | - | 1,110,716 | - |
| Under-recovered fuel cost | 1,872,118 | 2,140,783 | - | - | - | 4,012,901 | - |
| Prepaid and other assets | 6,062,732 | - | - | - | - | 6,062,732 | - |
| Total current assets | <u>148,502,502</u> | <u>36,303,638</u> | <u>17,756,308</u> | <u>11,413,186</u> | <u>10,514,504</u> | <u>224,490,138</u> | <u>17,170,112</u> |
| Noncurrent assets: | | | | | | | |
| Restricted assets: | | | | | | | |
| Cash and cash equivalents | - | 1,617,468 | 19,237,632 | 963,647 | 1,148 | 21,819,895 | - |
| Investments | 124,956,644 | 888,289 | 553,469 | 427,353 | 8,461 | 126,834,216 | - |
| Investment in BWSWMA | - | - | - | - | 24,505,786 | 24,505,786 | - |
| TMPA decommissioning | 7,842,767 | - | - | - | - | 7,842,767 | - |
| Capital assets: | | | | | | | |
| Land | 9,441,128 | 122,769 | 793,689 | 1,982,756 | 24,064,686 | 36,405,028 | - |
| Buildings | - | - | 317,271 | 19,873,253 | 7,532,934 | 27,723,458 | 23,420 |
| Equipment | - | - | 4,018,321 | 6,677,087 | 14,046,251 | 24,741,659 | 149,406 |
| Improvements other than buildings | 665,961,036 | 178,354,650 | 149,730,701 | 139,956,253 | 4,693,356 | 1,138,695,996 | 188,658 |
| Construction in progress | 66,275,510 | 13,382,577 | 2,954,403 | 4,457,623 | 9,484 | 87,079,597 | - |
| Retirement in progress | 839,810 | - | - | - | - | 839,810 | - |
| Less accumulated depreciation | (252,728,112) | (52,263,918) | (67,111,220) | (76,047,048) | (15,153,564) | (463,303,862) | (304,458) |
| Right-to-use lease assets | - | - | - | - | 96,106 | 96,106 | - |
| Less accumulated amortization | - | - | - | - | (38,442) | (38,442) | - |
| Total capital assets (net of accumulated depreciation and amortization) | <u>489,789,372</u> | <u>139,596,078</u> | <u>90,703,165</u> | <u>96,899,924</u> | <u>35,250,811</u> | <u>852,239,350</u> | <u>57,026</u> |
| Total noncurrent assets | <u>622,588,783</u> | <u>142,101,835</u> | <u>110,494,266</u> | <u>98,290,924</u> | <u>59,766,206</u> | <u>1,033,242,014</u> | <u>57,026</u> |
| Total assets | <u>\$ 771,091,285</u> | <u>\$ 178,405,473</u> | <u>\$ 128,250,574</u> | <u>\$ 109,704,110</u> | <u>\$ 70,280,710</u> | <u>\$ 1,257,732,152</u> | <u>\$ 17,227,138</u> |
| <u>Deferred outflows</u> | | | | | | | |
| Accumulated decrease in fair value of hedging derivatives | 1,342,128 | - | - | - | - | 1,342,128 | - |
| Pensions | 10,287,755 | - | 1,247,036 | 1,502,964 | 1,517,383 | 14,555,138 | 389,297 |
| Other post employment benefits (OPEB) | 887,657 | - | 163,040 | 185,682 | 212,855 | 1,449,234 | 40,759 |
| Unamortized loss on refunded debt | - | - | 372,845 | 192,361 | - | 565,206 | - |
| Total deferred outflows | <u>\$ 12,517,540</u> | <u>\$ -</u> | <u>\$ 1,782,921</u> | <u>\$ 1,881,007</u> | <u>\$ 1,730,238</u> | <u>\$ 17,911,706</u> | <u>\$ 430,056</u> |

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

CITY OF BRYAN, TEXAS
Statement of Net Position
Proprietary Funds
As of September 30, 2023

| | Business-type Activities - Enterprise Funds | | | | | | Governmental |
|--|---|-----------------------|----------------------|----------------------|------------------------|------------------------|----------------------|
| | City Electric Fund | Rural Electric Fund | Water Fund | Wastewater Fund | Other Enterprise Funds | Total Enterprise Funds | Internal |
| | | | | | | | Service Funds |
| <u>Liabilities</u> | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | \$ 15,397,063 | \$ 1,334,125 | \$ 337,559 | \$ 511,576 | \$ 823,418 | \$ 18,403,741 | \$ 386,921 |
| Accrued liabilities and retainage | - | - | 235,774 | 366,874 | 229,688 | 832,336 | 36,831 |
| Claims payable | - | - | - | - | - | - | 1,590,926 |
| Due to other funds | 1,677,822 | 776,735 | - | - | - | 2,454,557 | - |
| Unearned revenue | - | - | - | 266,466 | - | 266,466 | - |
| Derivative financial instruments - current portion | 1,210,268 | - | - | - | - | 1,210,268 | - |
| Accrued vacation and sick pay | 1,072,524 | - | 160,265 | 191,879 | 114,729 | 1,539,397 | 21,955 |
| Leases | - | - | - | - | 37,645 | 37,645 | - |
| Payable from restricted assets: | | | | | | | |
| Accrued interest | 2,666,554 | 462,039 | 161,677 | 72,296 | 3,014 | 3,365,580 | - |
| Counter party collateral | 63,520,000 | - | - | - | - | 63,520,000 | - |
| Bonds payable, net | 14,261,502 | 2,021,712 | 2,231,633 | 1,809,293 | 55,465 | 20,379,606 | - |
| Customer deposits | 4,817,138 | 1,617,468 | - | - | 14,655 | 6,449,261 | - |
| Total current liabilities | <u>104,622,871</u> | <u>6,212,079</u> | <u>3,126,908</u> | <u>3,218,384</u> | <u>1,278,614</u> | <u>118,458,857</u> | <u>2,036,633</u> |
| Noncurrent liabilities: | | | | | | | |
| Bonds payable, net | 280,038,589 | 51,379,356 | 27,358,647 | 9,124,369 | 804,187 | 368,705,147 | - |
| Interfund advance | 13,474,466 | - | 1,581,826 | 1,906,458 | 1,924,752 | 18,887,502 | 493,812 |
| Claims | - | - | - | - | - | - | 1,087,989 |
| Derivative financial instruments | 131,860 | - | - | - | - | 131,860 | - |
| Net pension liability (NPL) | 7,100,135 | - | 833,516 | 1,004,577 | 1,014,216 | 9,952,444 | 260,205 |
| Net other post employment benefit liability (OPEB) | 3,918,769 | - | 727,966 | 846,320 | 960,929 | 6,453,984 | 184,008 |
| Accrued liabilities | 306,351 | - | - | - | - | 306,351 | - |
| Accrued vacation and sick pay | 579,800 | - | 86,639 | 103,729 | 62,021 | 832,189 | 54,731 |
| Leases | - | - | - | - | 40,717 | 40,717 | - |
| Total noncurrent liabilities | <u>305,549,970</u> | <u>51,379,356</u> | <u>30,588,594</u> | <u>12,985,453</u> | <u>4,806,822</u> | <u>405,310,194</u> | <u>2,080,745</u> |
| Total liabilities | <u>410,172,841</u> | <u>57,591,435</u> | <u>33,715,502</u> | <u>16,203,837</u> | <u>6,085,436</u> | <u>523,769,051</u> | <u>4,117,378</u> |
| <u>Deferred Inflows</u> | | | | | | | |
| Unamortized gain on refunded debt | 2,642,292 | - | - | - | - | 2,642,292 | - |
| Other post employment benefits (OPEB) | 220,828 | - | 40,559 | 46,194 | 52,955 | 360,536 | 10,140 |
| Deferred regulatory liability | 5,449,236 | 14,636,049 | - | - | - | 20,085,285 | - |
| Total deferred inflows | <u>\$ 8,312,356</u> | <u>\$ 14,636,049</u> | <u>\$ 40,559</u> | <u>\$ 46,194</u> | <u>\$ 52,955</u> | <u>\$ 23,088,113</u> | <u>\$ 10,140</u> |
| <u>Net Position</u> | | | | | | | |
| Net investment in capital assets | 229,579,426 | 70,369,880 | 81,055,034 | 87,194,567 | 34,312,797 | 502,511,704 | 57,026 |
| Restricted for: | | | | | | | |
| BVSWMA, Inc. | - | - | - | - | 24,505,786 | 24,505,786 | - |
| Debt reserve | 2,824,100 | - | - | - | - | 2,824,100 | - |
| Debt service | 2,885,000 | 426,250 | 1,600,903 | 1,391,000 | - | 6,303,153 | - |
| Rate stabilization | 1,749,928 | - | - | - | - | 1,749,928 | - |
| Unrestricted | 128,085,174 | 35,381,859 | 13,621,497 | 6,749,519 | 7,053,974 | 190,892,023 | 13,472,650 |
| Total net position | <u>\$ 365,123,628</u> | <u>\$ 106,177,989</u> | <u>\$ 96,277,434</u> | <u>\$ 95,335,086</u> | <u>\$ 65,872,557</u> | <u>\$ 728,786,694</u> | <u>\$ 13,529,676</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | | | 2,209,574 | |
| Net position of business-type activities | | | | | | <u>\$ 730,996,268</u> | |

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

CITY OF BRYAN, TEXAS
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2023

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities |
|--|---|------------------------|----------------------|----------------------|------------------------------|------------------------------|----------------------------|
| | City Electric Fund | Rural Electric Fund | Water Fund | Wastewater Fund | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
| Operating revenues: | | | | | | | |
| Electrical system | \$ 231,328,778 | \$ 57,824,648 | \$ - | \$ - | \$ - | \$ 289,153,426 | \$ - |
| Water system | - | - | 16,504,738 | - | - | 16,504,738 | - |
| Wastewater system | - | - | - | 15,100,939 | - | 15,100,939 | - |
| Solid waste | - | - | - | - | 8,952,808 | 8,952,808 | - |
| Other | 4,199,999 | - | 782,179 | - | 1,071,837 | 6,054,015 | 20,285,735 |
| Total operating revenues | <u>235,528,777</u> | <u>57,824,648</u> | <u>17,286,917</u> | <u>15,100,939</u> | <u>10,024,645</u> | <u>335,765,926</u> | <u>20,285,735</u> |
| Operating expenses: | | | | | | | |
| Personnel services | 15,175,077 | 651,839 | 2,964,168 | 4,079,495 | 4,242,864 | 27,113,443 | 816,585 |
| Electric operations | 129,509,973 | 37,742,016 | - | - | - | 167,251,989 | - |
| Maintenance | 6,115,759 | 1,136,511 | 1,209,444 | 755,107 | 450,604 | 9,667,425 | 1,250 |
| Claims | - | - | - | - | - | - | 12,270,578 |
| Other services and charges | 3,852,511 | - | 2,537,010 | 2,218,646 | 1,995,070 | 10,603,237 | 4,500,855 |
| Other expenses | 2,858,170 | - | 544,198 | 701,299 | 1,302,289 | 5,405,956 | 89,809 |
| General and administrative | 2,964,736 | 310,160 | 1,099,090 | 1,137,108 | 1,371,724 | 6,882,818 | - |
| Total operating expenses before depreciation and amortization | <u>160,476,226</u> | <u>39,840,526</u> | <u>8,353,910</u> | <u>8,891,655</u> | <u>9,362,551</u> | <u>226,924,868</u> | <u>17,679,077</u> |
| Operating income before depreciation and amortization | 75,052,551 | 17,984,122 | 8,933,007 | 6,209,284 | 662,094 | 108,841,058 | 2,606,658 |
| Depreciation and amortization | 17,763,092 | 4,644,927 | 4,445,663 | 5,107,424 | 1,370,612 | 33,331,718 | 12,459 |
| Operating income | <u>57,289,459</u> | <u>13,339,195</u> | <u>4,487,344</u> | <u>1,101,860</u> | <u>(708,518)</u> | <u>75,509,340</u> | <u>2,594,199</u> |
| Nonoperating revenues (expenses): | | | | | | | |
| Investment earnings | 8,680,131 | 1,227,254 | 1,348,075 | 628,418 | 551,716 | 12,435,594 | 531,639 |
| Investment Mark to Market | (75,901) | 488,012 | (331,716) | (225,782) | (229,586) | (374,973) | (101,448) |
| Interest expense, issuance costs and fiscal charges | (12,716,886) | (1,796,434) | (679,413) | (311,581) | (22,788) | (15,527,102) | - |
| Distributive share of BVSWM net income | - | - | - | - | 1,280,416 | 1,280,416 | - |
| Other | 601,598 | - | (268,815) | 88,029 | 316,350 | 737,162 | - |
| Total nonoperating revenues (expenses) | <u>(3,511,058)</u> | <u>(81,168)</u> | <u>68,131</u> | <u>179,084</u> | <u>1,896,108</u> | <u>(1,448,903)</u> | <u>430,191</u> |
| Income before contributions and transfers | 53,778,401 | 13,258,027 | 4,555,475 | 1,280,944 | 1,187,590 | 74,060,437 | 3,024,390 |
| Capital contributions | - | - | 2,573,815 | 2,582,279 | - | 5,156,094 | - |
| Transfers in | - | - | 579,517 | 114,788 | 10,563,457 | 11,257,762 | 356,983 |
| Transfers out | (15,218,794) | - | (959,089) | (797,201) | (509,391) | (17,484,475) | (111,006) |
| Change in net position | 38,559,607 | 13,258,027 | 6,749,718 | 3,180,810 | 11,241,656 | 72,989,818 | 3,270,367 |
| Net position, October 1, 2022 | 326,564,021 | 92,919,962 | 89,527,716 | 92,154,276 | 54,630,901 | | 10,259,309 |
| Net position, September 30, 2023 | <u>\$ 365,123,628</u> | <u>\$ 106,177,989</u> | <u>\$ 96,277,434</u> | <u>\$ 95,335,086</u> | <u>\$ 65,872,557</u> | | <u>\$ 13,529,676</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | | | 2,694,659 | |
| Change in net position of business-type activities. | | | | | | <u>\$ 75,684,477</u> | |

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



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CITY OF BRYAN, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2023

| | Business-type Activities - Enterprise Funds | | | | | | Governmental Activities |
|---|---|------------------------|----------------------|---------------------|------------------------------|------------------------------|----------------------------|
| | City Electric Fund | Rural Electric Fund | Water Fund | Wastewater Fund | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
| Cash flows from operating activities: | | | | | | | |
| Receipts from customers and users | \$ 231,558,197 | \$ 56,570,208 | \$ 15,987,138 | \$ 14,788,556 | \$ 9,773,440 | \$ 328,677,539 | \$ 2,989,776 |
| Receipts for interfund services provided | - | - | - | - | - | - | 15,350,845 |
| Payments to suppliers and claim administrators | (144,657,248) | (38,353,759) | (4,767,617) | (4,128,025) | (3,081,224) | (194,987,873) | (16,868,602) |
| Payments to employees | (13,708,590) | (651,839) | (2,834,605) | (3,881,547) | (4,041,252) | (25,117,833) | (763,331) |
| Other receipts (payments) | - | - | (268,815) | 88,029 | 316,350 | 135,564 | 1,944,926 |
| Payments for interfund services used | - | - | (1,099,090) | (1,137,108) | (1,371,724) | (3,607,922) | - |
| Net cash provided by operating activities | <u>73,192,359</u> | <u>17,564,610</u> | <u>7,017,011</u> | <u>5,729,905</u> | <u>1,595,590</u> | <u>105,099,475</u> | <u>2,653,614</u> |
| Cash flows from noncapital financing activities: | | | | | | | |
| Transfers in | - | - | 579,517 | 114,788 | 10,563,457 | 11,257,762 | 356,983 |
| Transfers out | (15,218,794) | - | (959,089) | (797,201) | (509,391) | (17,484,475) | (111,006) |
| Net cash provided (used) by noncapital financing activities | <u>(15,218,794)</u> | <u>-</u> | <u>(379,572)</u> | <u>(682,413)</u> | <u>10,054,066</u> | <u>(6,226,713)</u> | <u>245,977</u> |
| Cash flows from capital and related financing activities: | | | | | | | |
| Acquisition and construction of capital assets | (54,318,607) | (17,698,587) | (1,814,873) | (4,198,807) | (12,718,647) | (90,749,521) | - |
| Proceeds from sale of assets | 847,813 | - | 2,720,233 | - | 942,102 | 4,510,148 | - |
| Principal paid on outstanding bonds and leases | (12,085,000) | (1,755,000) | (2,184,861) | (1,890,377) | (55,388) | (17,970,626) | - |
| Interest paid on bonds, contractual obligations, and leases | (14,570,447) | (1,634,710) | (679,413) | (311,581) | (22,788) | (17,218,939) | - |
| Net cash provided (used) by capital and related financing activities | <u>(80,126,241)</u> | <u>(21,088,297)</u> | <u>(1,958,914)</u> | <u>(6,400,765)</u> | <u>(11,854,721)</u> | <u>(121,428,938)</u> | <u>-</u> |
| Cash flows from investing activities: | | | | | | | |
| Purchase of investment securities | (403,428,976) | (54,255,452) | (14,244,227) | (8,962,667) | (8,669,113) | (489,560,435) | (14,867,346) |
| Sale of investment securities | 405,540,771 | 56,464,953 | 8,276,172 | 8,026,730 | 6,793,216 | 485,101,842 | 9,674,326 |
| Interest on investments | 8,466,166 | 723,866 | 978,360 | 355,627 | 509,931 | 11,033,950 | 445,032 |
| Net cash provided (used) by investing activities | <u>10,577,961</u> | <u>2,933,367</u> | <u>(4,989,695)</u> | <u>(580,310)</u> | <u>(1,365,966)</u> | <u>6,575,357</u> | <u>(4,747,988)</u> |
| Net increase (decrease) in cash and cash equivalents | (11,574,715) | (590,320) | (311,170) | (1,933,583) | (1,571,031) | (15,980,819) | (1,848,397) |
| Cash and cash equivalents, October 1, 2022 | <u>58,621,588</u> | <u>16,630,883</u> | <u>21,232,951</u> | <u>4,042,541</u> | <u>2,736,600</u> | <u>103,264,563</u> | <u>3,844,601</u> |
| Cash and cash equivalents, September 30, 2023 | <u>\$ 47,046,873</u> | <u>\$ 16,040,563</u> | <u>\$ 20,921,781</u> | <u>\$ 2,108,958</u> | <u>\$ 1,165,569</u> | <u>\$ 87,283,744</u> | <u>\$ 1,996,204</u> |

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

CITY OF BRYAN, TEXAS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2023

| | Business-type Activities - Enterprise Funds | | | | | | Governmental |
|---|---|----------------------|----------------------|---------------------|------------------------|------------------------|------------------------|
| | City Electric Fund | Rural Electric Fund | Water Fund | Wastewater Fund | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | | | |
| Operating income | \$ 57,289,459 | \$ 13,339,195 | \$ 4,487,344 | \$ 1,101,860 | \$ (708,518) | \$ 75,509,340 | \$ 2,594,199 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | | |
| Depreciation and amortization | 17,763,092 | 4,644,927 | 4,445,663 | 5,107,424 | 1,370,612 | 33,331,718 | 12,459 |
| Provision for uncollectible accounts | 86,922 | 32,541 | - | - | - | 119,463 | - |
| Other revenue | - | - | (268,815) | 88,029 | 316,350 | 135,564 | - |
| Change in assets and liabilities: | | | | | | | |
| Change in accounts receivable | (4,257,790) | (1,339,065) | (749,677) | (55,164) | (27,393) | (6,429,089) | 13,954 |
| Change in grant receivable | - | - | - | - | (46,086) | (46,086) | - |
| Change in inventories | (5) | - | (66,881) | - | (2,488) | (69,374) | 47,941 |
| Change in due from other funds | 2,484,534 | - | (437,917) | (202,617) | (120,167) | 1,723,833 | (415,802) |
| Change in over (under) recovered fuel | 947,872 | 1,661,528 | - | - | - | 2,609,400 | - |
| Change in over (under) recovered regulatory fee | 555,769 | 217,653 | - | - | - | 773,422 | - |
| Change in prepaid and other assets | (4,270,860) | - | - | - | - | (4,270,860) | 90,000 |
| Deferred outflows/inflows of resources - OPEB & Net Pension | (14,949,269) | - | (1,796,201) | (2,133,740) | (2,186,073) | (21,065,283) | - |
| Change in accounts payable | 655,678 | (1,357,386) | (439,594) | (547,416) | 641,119 | (1,047,599) | 8,797 |
| Change in accrued liabilities | (390,172) | - | (30,295) | 117,028 | 25,620 | (277,819) | 2,922 |
| Change in customer deposits | 200,288 | 84,625 | - | - | 55 | 284,968 | - |
| Change in due to other funds | (115,001) | 280,592 | - | - | - | 165,591 | - |
| Change in interfund advance | - | - | (45,304) | (54,602) | (55,126) | (155,032) | (14,142) |
| Change in claims payable | - | - | - | - | - | - | 262,954 |
| Change in accrued vacation and sick pay | - | - | (112,570) | (136,626) | (87,139) | (336,335) | (21,135) |
| Change in OPEB and Net Pension | 17,191,842 | - | 2,031,258 | 2,445,729 | 2,474,824 | 24,143,653 | 71,467 |
| Net cash provided by operating activities | <u>\$ 73,192,359</u> | <u>\$ 17,564,610</u> | <u>\$ 7,017,011</u> | <u>\$ 5,729,905</u> | <u>\$ 1,595,590</u> | <u>\$ 105,099,475</u> | <u>\$ 2,653,614</u> |
| Reconciliation of total cash and cash equivalents: | | | | | | | |
| Current assets - cash and cash equivalents | \$ 47,046,873 | \$ 14,423,095 | \$ 1,684,149 | \$ 1,145,311 | \$ 1,164,421 | \$ 65,463,848 | \$ 1,996,204 |
| Restricted assets - cash and cash equivalents | - | 1,617,468 | 19,237,632 | 963,647 | 1,148 | 21,819,896 | - |
| Total cash and cash equivalents | <u>\$ 47,046,873</u> | <u>\$ 16,040,563</u> | <u>\$ 20,921,781</u> | <u>\$ 2,108,958</u> | <u>\$ 1,165,569</u> | <u>\$ 87,283,744</u> | <u>\$ 1,996,204</u> |
| Noncash Investing, Capital, and Financing Activities | | | | | | | |
| Capital asset acquisitions included in accounts payable | \$ 4,311,251 | \$ 1,189,080 | \$ 67,355 | \$ 350,785 | \$ - | \$ 5,918,471 | \$ - |
| Capital asset contributions | \$ - | \$ - | \$ 2,573,815 | \$ 2,582,279 | \$ - | \$ 5,156,094 | \$ - |

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



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FIDUCIARY FUNDS

OPEB Trust Fund – To account for the City’s other post-employment benefits. This fund is excluded from the government-wide statement of net assets and statement of activities since the assets are not available to support the City’s own programs.

Custodial Fund – To account for the City’s funds that are to be remitted other agencies. This fund is excluded from the government-wide statement of net assets and statement of activities since the assets are not available to support the City’s own programs.

CITY OF BRYAN, TEXAS

Statement of Fiduciary Net Position

Fiduciary Funds

As of September 30, 2023

| <u>Assets</u> | <u>Custodial Fund</u> | <u>OPEB Trust Fund*</u> |
|--|-----------------------|-----------------------------|
| Cash and cash equivalents | \$ 200,671 | \$ - |
| Investments | - | 3,293,848 |
| Total assets | <u>\$ 200,671</u> | <u>\$ 3,293,848</u> |
| <u>Liabilities</u> | | |
| Due to State of Texas | \$ 200,671 | \$ - |
| Total liabilities | <u>200,671</u> | <u>-</u> |
| Net position restricted for Fiduciary Activities | <u>\$ -</u> | <u>\$ 3,293,848</u> |

*The OPEB Trust Fund has a year end of December 31, 2022.

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

CITY OF BRYAN, TEXAS

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For Fiscal year Ended September 30, 2023

| <u>Additions</u> | <u>Custodial Fund</u> | <u>OPEB Trust Fund*</u> |
|---|---------------------------|-----------------------------|
| State court costs | \$ 683,785 | \$ - |
| Contributions | - | 1,223,441 |
| Investment income | - | (489,775) |
| Total additions | <u>683,785</u> | <u>733,666</u> |
| <u>Deductions</u> | | |
| Court costs distributed to State | 683,785 | - |
| Benefit payments | - | 723,441 |
| Administrative expenses | - | 18,581 |
| Total deductions | <u>683,785</u> | <u>742,022</u> |
| Net Increase | <u>-</u> | <u>(8,356)</u> |
| Net position restricted for Fiduciary Activities October 1, 2022 | <u>-</u> | <u>3,302,204</u> |
| Net position restricted for Fiduciary Activities September 30, 2023 | <u>\$ -</u> | <u>\$ 3,293,848</u> |

*The OPEB Trust Fund has a year end of December 31, 2022.

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



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City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Bryan, Texas (the “City”) is a municipal corporation which operates under a Council-Manager form of government. The accompanying financial statements present the City and its component units, which are entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended component units

BTU QSE Services, Inc. (“QSE”) was created as a result of deregulation of the electric market within the state of Texas. The QSE exists to perform qualified scheduling services of electrical generation for the City of Bryan City Electric Fund. The QSE is a separate legal entity whose primary purpose is to provide a service to the City. The BTU Board of Directors serve as the board of the QSE. The QSE is reported as an enterprise fund and is combined with City Electric Fund.

Bryan Commerce and Development Incorporated (“BCD”) was created to assist and act on behalf of the City in promoting, developing, encouraging, and maintaining employment, commerce, economic development, and public facility development in the City. The Bryan City Council serves as the Board of Directors of BCD. Since the elected officials of the City are financially accountable for BCD and the primary purpose of BCD is to provide a service to the City, BCD is considered a blended component unit. BCD is not separately presented here as it is separately presented in the supplementary section of this report. See page 160.

Destination Bryan was created for the promotion of tourism and the hotel convention industry, and to be the City of Bryan’s destination marketing organization, now and in the future. In 2021, the City of Bryan entered into a funding agreement with Destination Bryan, a local 501(c)(6) tax exempt, Texas non-profit corporation. Since Destination Bryan’s funding is primarily derived from the funding agreement with the City of Bryan and the Board is appointed by City Council, Destination Bryan is considered a blended component unit. Destination Bryan is not separately presented here as it is separately presented in the supplementary section of this report. See page 134.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

The condensed combined statements of net position for the City Electric System and QSE as of September 30, 2023 are as follows:

| | September 30, 2023 | | |
|--|-----------------------|---------------------|-----------------------|
| | BTU City | QSE | Combined |
| Current assets | \$ 144,297,591 | \$ 4,204,911 | \$ 148,502,501 |
| Capital assets, net | 489,665,157 | 124,215 | 489,789,372 |
| Restricted assets | 124,956,644 | - | 124,956,644 |
| Other | 7,842,767 | - | 7,842,767 |
| Total assets | <u>766,762,159</u> | <u>4,329,125</u> | <u>771,091,284</u> |
| Deferred outflows | 12,517,540 | - | 12,517,540 |
| Current liabilities | 17,767,513 | 2,169,963 | 19,937,476 |
| Current liabilities payable from restricted assets | 85,265,194 | - | 85,265,194 |
| Noncurrent liabilities | 304,970,170 | - | 304,970,170 |
| Total liabilities | <u>408,002,877</u> | <u>2,169,963</u> | <u>410,172,840</u> |
| Deferred inflows | 8,312,356 | - | 8,312,356 |
| Net Position: | | | |
| Net investment in capital assets | 229,455,211 | 124,215 | 229,579,426 |
| Restricted | 7,459,028 | - | 7,459,028 |
| Unrestricted | 126,050,226 | 2,034,948 | 128,085,174 |
| Total net position | <u>\$ 362,964,465</u> | <u>\$ 2,159,163</u> | <u>\$ 365,123,628</u> |

The condensed combined statements of revenues, expenses, and changes in net position for the City Electric System and QSE for the year ended September 30, 2023, are as follows:

| | Fiscal Year Ended September 30, 2023 | | |
|-----------------------------------|--------------------------------------|---------------------|-----------------------|
| | BTU City | QSE | Combined |
| Operating revenues | \$ 231,860,428 | \$ 1,821,179 | \$ 233,681,607 |
| Operating expenses | <u>176,418,139</u> | <u>1,821,179</u> | <u>178,239,318</u> |
| Operating income | 55,442,289 | - | 55,442,289 |
| Investment income | 8,680,131 | - | 8,680,131 |
| Interest expense | (12,716,886) | - | (12,716,886) |
| Gain/(Loss) on asset sale | 601,598 | - | 601,598 |
| Investment mark to market | <u>(75,901)</u> | <u>-</u> | <u>(75,901)</u> |
| Income before operating transfers | 51,931,231 | - | 51,931,231 |
| Transfers, net | <u>(13,371,624)</u> | <u>-</u> | <u>(13,371,624)</u> |
| Change in net position | 38,559,607 | - | 38,559,607 |
| Net position, beginning of period | <u>324,404,858</u> | <u>2,159,163</u> | <u>326,564,021</u> |
| Net position, end of period | <u>\$ 362,964,465</u> | <u>\$ 2,159,163</u> | <u>\$ 365,123,628</u> |

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Discretely presented component unit

The City has included the Bryan Business Council, Inc. (“BBC”) in its financial statements as a discretely presented component unit, since the City is financially accountable for the entity. The BBC, a non-profit corporation, was originally formed to market properties within the City owned Bryan Industrial Park. In addition, the BBC currently serves as an economic development arm of the City, and as such, provides a financial benefit to the City. The City provides coverage for the board of directors under the City’s officer and employee liability plan and provides limited administrative support to the BBC. The BBC’s board of directors is appointed by and serves at the discretion of the Bryan City Council. The Bryan City Council also directs the work plan and objectives of the BBC. During fiscal year (FY) 2016 the BBC board of directors voted to change the fiscal year-end for BBC from September 30 to June 30. Therefore, the financial position as of June 30, 2023 and the changes in net position from July 1, 2022 to June 30, 2023 are presented in the statement of net position and statement of activities, respectively.

Financial statements may be obtained by contacting: The Bryan Business Council, Inc., P. O. Box 1000, Bryan, Texas 77805

Cooperative Efforts

In 2010, the City of Bryan entered into an Interlocal Cooperation Agreement with the City of College Station to create a local government corporation under Subchapter D of Chapter 431, Texas Transportation Code, to be known as the Brazos Valley Solid Waste Management Agency, Inc. (“BVSWMA”). The purpose of BVSWMA is to finance, construct, own, manage and operate the existing and future municipal solid waste landfill facilities on behalf of the two cities. The City’s one-half undivided interest in BVSWMA is reported in the Solid Waste Fund (see Note 14).

The City’s financial statements do not include the Texas Municipal Power Agency (“TMPA”). TMPA, a separate municipal corporation, is a joint venture entered into by the Texas cities of Bryan, Garland, Denton and Greenville for the purpose of obtaining the economic advantages of jointly financing, constructing and operating electric generating units and transmission grid to supply the cities’ electric energy needs. The eight-member board of directors of TMPA includes two members appointed by the Bryan City Council. The City has an ongoing financial interest in TMPA due to the City’s guarantee of a portion of TMPA’s debt (see Note 13).

In 2009, the City of Bryan and Brazos County entered into an agreement to create the City of Bryan and Brazos County Economic Development Foundation Inc. (“BBCEDF”), a local government corporation formed under Subchapter D of Chapter 431 of the Texas Transportation Code. The BBCEDF was created to promote, develop, encourage, and maintain employment, commerce, and economic development in the City and the County (see Note 20).

In 2020, the City of Bryan and Destination Bryan entered into an agreement where the City of Bryan is the primary funding source of Destination Bryan. Destination Bryan was created to promote, develop, encourage, and maintain tourism and marketing of the City (see Note 20).

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Government-wide and fund financial statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City and its component units.

For the most part, the effect of interfund activity within the governmental and business-type activities columns has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

In fund financial statements (the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances, the Proprietary Funds Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position and the Fiduciary Fund Statement of Fiduciary Net Position), the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate financial statements are presented for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column in the appropriate governmental fund and proprietary fund statements.

Governmental funds are those funds through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses, and balances of current financial resources.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The Debt Service Fund accounts for the financial resources accumulated for the payment of principal, interest and related costs on long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Other Governmental Funds is a summarization of all the non-major governmental funds, including Special Revenue, Capital Projects, and Permanent funds. The purpose and source of revenue for each Special Revenue fund is:

- Grant Fund – The source of funds is grants awarded to the City. The use of these funds is committed by the City.
- Community Development Fund – The source of funds is federal grants awarded to the City and use of the grant money is restricted by the terms of the grants. Primarily, the Community Development fund provides programs and services to low and moderate income persons.
- Hotel and Motel Room Tax Fund – The source of funds is the hotel occupancy tax. The use of these funds is restricted by the tax code of the State of Texas.
- Oil and Gas Fund – This fund was established by City of Bryan Ordinance to account for revenues associated with oil and gas leases, royalties and mineral property taxes. The use of these funds is committed for projects of a non-recurring nature determined by City Council.
- Capital Reserve Fund – This fund was established by City of Bryan Ordinance to accumulate miscellaneous one-time revenues. The use of these funds is committed for projects of a non-recurring nature determined by City Council.
- Sidewalks Fund – This fund was established by City of Bryan Ordinance to collect and track funds from developers and property owners for the construction and maintenance of sidewalks. The use of these funds is committed for this purpose. Funds received are refunded to the remitter if not used within 10 years.
- Court Technology Fund – This fund was established by City Ordinance and the source of funds is a \$4.00 fee for each case that comes before the City’s Municipal Court. These funds are restricted to technology necessary for the Court’s operations.
- Street Improvement Fund – Per the City of Bryan Code of Ordinances, a transportation user fee was established in order to provide a properly maintained road system. That fee is the source of revenue for this fund. The use of these funds is committed to the purposes of planning, constructing, operating, monitoring and maintaining the transportation system of the City.
- Drainage Improvement Fund – The drainage fee was established by the City of Bryan Code of Ordinances and is the source of revenue for this fund. The use of these funds is committed for the planning, constructing, operating, monitoring, and maintaining the City’s drainage system.
- Tax Increment Reinvestment Zone #10 - The source of funds is the incremental property tax revenue from the appreciated appraised value of this TIRZ. The use of these funds is restricted to the geographical area within this zone.
- Tax Increment Reinvestment Zone #19 - The source of funds is the incremental property tax revenue from the appreciated appraised value of this TIRZ. The use of these funds is restricted to the geographical area within this zone.
- Tax Increment Reinvestment Zone #21 - The source of funds is the incremental property tax revenue from the appreciated appraised value of this TIRZ. The use of these funds is restricted to the geographical area within this zone.
- Tax Increment Reinvestment Zone #22 - The source of funds is the incremental property tax revenue from the appreciated appraised value of this TIRZ. The use of these funds is restricted to the geographical area within this zone.
- Midtown Park Operations Fund – This fund was established by City of Bryan Ordinance for the express purpose of accounting for the operations of the Travis Bryan Midtown Park. Revenues and expenditures of park operations are accounted for in this fund.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

- Midtown Park Construction Fund – This fund was established by City of Bryan Ordinance to account for the cash-funded costs of construction for the Travis Bryan Midtown Park. Debt funded construction costs will be accounted for in the appropriate Capital Projects fund.
- Phillips Event Center (“PEC”) Fund – This fund was established by City of Bryan Ordinance for the express purpose of accounting for the operations of the Phillips Event Center and Golf Course. Revenues and expenditures of PEC operations are accounted for in this fund.
- Queen & Palace Theaters Fund – This fund was established by City of Bryan Ordinance for the express purpose of accounting for the operations of the Queen and Palace Theaters. Revenues and expenditures of theaters operations are accounted for in this fund.
- Destination Bryan – The City of Bryan has contracted with Destination Bryan as a marketing firm with the sole purpose of attracting businesses and entertainment to the City. Destination Bryan is treated as a blended component unit in the City of Bryan’s financial statements as the firm is funded almost entirely by the City.

Proprietary funds include enterprise and internal service funds and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are a determination of net income, financial position and cash flow. All assets and liabilities are included in the Statement of Net Position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. At fiscal year end, the City accrues estimated unbilled revenues (excluding fuel expense) for electric, water, and wastewater customers.

The City reports the following major enterprise funds:

The City Electric Fund (Bryan Texas Utilities or BTU) accounts for the activities necessary to provide electric services to customers within the city limits of the City. These activities include administration, electric generation, distribution, transmission system operations and maintenance, new construction, financing and related debt service, and billing and collection.

The Rural Electric Fund accounts for the activities necessary to provide electric services to its customers located outside the city limits but within its service area. These activities include electric distribution, operations and maintenance, new construction, financing and related debt service. Administrative, billing and collection services are provided by the City Electric Fund.

The Water Fund accounts for the activities necessary to provide water services to the residents of the City. These activities include administrative services, water production and distribution system operations and maintenance, new construction, financing and related debt service. Billing and collection services are provided by the City Electric Fund under an operating agreement.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

The Wastewater Fund accounts for the activities necessary to provide wastewater collection and treatment services to the residents of the City. These activities include administrative services, wastewater system operations and maintenance, new construction, financing and related debt service. Billing and collection services are provided by the City Electric Fund under a contractual agreement.

Other Enterprise Funds is a summarization of all of the non-major enterprise funds of the City. This category includes the Bryan Airport Fund, the Solid Waste Fund, and Bryan Commerce and Development (“BCD”).

Internal service funds account for the City’s central warehouse function, administration of self-funded health insurance provided to City employees, and the City’s risk management activities, including general liability and workers’ compensation claims and associated administrative expenses on a cost reimbursement basis. This category includes the Employee Benefits Fund, the Self-insurance Fund, and the Warehouse Fund.

Additionally, fiduciary funds account for the City’s OPEB (“other post-employment benefits”) fund and custodial funds. The OPEB Trust Fund, a blended component unit, was created to account for the funding of the Post-employment Benefits Trust. The contributed funds are based on full time employee count and contributed by the respective funds. See Note 11 for specific details of the OPEB Trust Fund. The custodial fund was created to account for funds that are held by the City of Bryan and payable to another governmental entity. These funds are excluded from the government-wide Statement of Net Position and Statement of Activities since the assets are not available to support the City’s own programs.

Measurement focus, basis of accounting, and financial statement presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The operating statements present increases (revenues) and decreases (expenses) in net total assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the City considers property taxes available if they are collected within thirty (30) days of the end of the current fiscal period. A one hundred twenty (120) day availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when a liability is

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

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

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, investment income and intergovernmental revenues. Sales taxes collected and held by the State at year end on behalf of the City are estimated and recognized as revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available when cash is received by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu-of taxes, payments for use of rights-of-way, and other charges between the City's electric, water, and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers and applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes. Likewise, internally dedicated resources are reported as general revenues rather than as program revenues.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB").

Budgetary Control

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Grant Fund, Sidewalks Fund, Capital Projects funds and the permanent funds. Grant expenditures are controlled by the grant agreements and amounts awarded are generally not known during the budget making process. The Sidewalks Fund expenditures are strictly controlled by the ordinance that created the fund. Expenditures are based on developer contributions and have to be used for sidewalks in the development or single-member district in which the development is located. Capital project fund expenditures are effectively controlled through bond provisions. Permanent funds are controlled by the trust agreements which established the funds. All unexpended appropriations lapse at fiscal year-end.

The City Charter establishes the City's fiscal year as the twelve-month period beginning October 1 and ending September 30. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City's departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year. Prior to September 1, the City Manager submits to the City Council a proposed operating budget of estimated expenditures and revenues.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Upon receipt of the budget estimate the City Council publishes notice of and conducts public hearings on the proposed budget to obtain citizen comment. Prior to October 1, the budget is legally enacted through passage of the Appropriations Ordinance.

The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

Budgeted amounts are as originally adopted, or as amended in accordance with the annual appropriations ordinance.

Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders and contracts) outstanding at fiscal year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the amounts will be re-appropriated and honored in the subsequent year.

Cash and Investments

Cash for all funds, including restricted cash, but excluding fiduciary fund cash and BTU City and Rural Electric System cash, is pooled into common accounts in order to maximize investment opportunities. Each fund participating in the pools has an equity interest therein. Investment earnings on these monies are allocated based upon relative equity at end of the monthly reporting cycle. An individual fund's pooled cash and investments are available upon demand. Negative balances incurred in pooled cash at fiscal year-end are treated as interfund receivables of the General Fund and interfund payables of the deficit fund.

Marketable securities with an original maturity of three months or less are considered to be cash equivalents except for balances in the investment pools which are reported as investments.

Investments of all funds are stated at fair value with the exception of investments in local government investment pools. The carrying value of the investments in local government investment pools is determined by the valuation policy of the investment pool; either at amortized cost or net asset value of the underlying pool shares, as further described in Note 2.

Inventories

All inventories are valued at average cost. Inventories owned by the Enterprise and Internal Service Funds are accounted for using the consumption method (an expense is recorded when the inventory item is used).

Prepaid Energy Costs, Impairment of Prepaid Energy Costs and Regulatory Assets

On February 10, 2021, TMPA's Gibbons Creek power plant was sold to GCERG. BTU established a regulatory asset in the amount of \$7,842,767 associated with the power plant sale on February 10,

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

2021. The regulatory asset will be amortized in future periods when its costs are included in electric rates.

Other Prepaid Items

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

Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Interfund Advance

Long term amounts owed between funds for the establishment of pension obligation bonds are classified as "Interfund Advance." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Interfund Advance."

Transactions between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of both Governmental and Proprietary Funds.

The City allocates to the proprietary funds a percentage of indirect costs incurred to provide general and administrative support services to those funds that are paid through the General Fund.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary funds.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. To the extent that construction is performed by City personnel, the cost includes payroll and related costs and certain general and administrative expenses. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$5,000 or more and three or more years of useful life.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Depreciation has been calculated on each class of depreciable property using the straight-line method over the following estimated service lives:

| | <u>Estimated Service Lives</u> |
|---|--------------------------------|
| Buildings & improvements | 15 - 40 years |
| Water and wastewater systems | 40 years |
| Electric system | 20 - 30 years |
| Electric generating and related equipment | 20 - 40 years |
| Improvements other than buildings | 5 - 40 years |
| Machinery and equipment | 3 - 10 years |
| Library books | 15 years |
| Software | 3 years |
| Streets | 20 years |
| Sidewalks | 20 years |
| Traffic signals | 20 years |
| Storm drains | 35 years |
| Bridges and culverts | 40 years |
| Works of art and historical treasures | Determined on individual basis |

Leases

Lessee

The City is a lessee for noncancelable leases of property and equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor

The City is a lessor for noncancelable leases of property. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, proprietary fund, and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements (SBITA)

SBITA assets are defined by the general government as the right to use vendor-provided information technology (“IT”) with access to vendors’ IT assets. The City recognizes a subscription liability (SBITA liability), reported with long-term debt, and an intangible right-to-use subscription asset (SBITA asset), reported with other capital assets, in the government-wide financial statements. The City recognizes SBITA liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the term. Subsequently, the subscription

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

liability is reduced by the principal portion of payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over the shorter of the subscription term or its useful life.

Minimum Fund Balance Policy

The City has set financial guidelines regarding the retention of General Fund fund balances and reserves to ensure that adequate funds are available to cover daily operating expenditures and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial standard to maintain a General Fund minimum fund balance of 60 days of annual operating expense totals.

In 2016, the Bryan City Council adopted the City of Bryan Financial Management Policy Statements in order to assemble all of the City's major financial policies into one document. Included in these policies are recommendations and guidelines regarding the minimum balances for City funds in order to maintain the City's financial ability to meet its current and future service needs. These policies were amended in November 2021 to better accommodate the amounts needed for the minimum fund balances. These statements are available on the City's website at www.bryantx.gov/fiscal-services/.

Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Pension of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Other Post-Employment Benefits (OPEB)

Financial statements for the Trust are prepared using the accrual basis of accounting and can be found in this report on pages 48-49. Plan member contributions are recognized when due, and the City's contributions are recognized when due. Benefits and any refunds are recognized when due and payable according to the terms of the plan. Assets held by the Trust are valued at fair value.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position of the City of Bryan Post-employment Benefits Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosure of contingent assets and liabilities as of the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Bond Issuance Expenses

According to the financial reporting requirements of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, bond issuance expenses are to be expensed as incurred. Issuance expenses are reported on the Statement of Activities on the Government-Wide Financial Statements for Governmental Activities in interest on long-term debt expense and on the Statement of Revenues, Expenditures, and Changes in Fund Balances in debt issuance costs.

Utility Revenues, Fuel Recovery, and Regulatory Recovery

Customers are billed on the basis of monthly cycle billings. At year end, the City Electric System accrues estimated unbilled revenues for the period ended September 30. These unbilled revenues amounted to \$3,310,403 at September 30, 2023 and are included in accounts receivable. The difference between fuel revenue billed and fuel expense incurred is recorded as an addition or a reduction to fuel and purchased power expense, with a corresponding entry to accounts payable – over-recovered fuel, or accounts receivable – under-recovered fuel, whichever is appropriate. At September 30, 2023, the City Electric System reported a current asset – under-recovered fuel of \$1,872,118.

The difference between regulatory revenue billed and regulatory expense incurred is recorded as an addition or a reduction to transmission cost of service expense, with a corresponding entry to accounts payable – over-recovered regulatory fee, or accounts receivable – under-recovered regulatory fee, whichever is appropriate. At September 30, 2023, the City Electric System reported a current asset – under-recovered regulatory fee of \$923,973.

Customers are billed on the basis of monthly cycle billings. At fiscal year end, the Rural Electric System accrues estimated unbilled revenues (excluding fuel). These unbilled revenues, which are included in accounts receivable, amounted to \$2,626,018 at September 30, 2023. The Rural Electric System is allowed to recover purchased power cost through fuel revenue rates. The difference between fuel revenues billed and fuel expense incurred is recorded as an addition or a reduction to fuel and purchased power expense, with a corresponding entry to accounts payable – over-recovered fuel or accounts receivable – under-recovered fuel, whichever is appropriate. At September 30, 2023 the Rural Electric System reflected a current asset - under-recovered fuel of \$2,140,783.

The difference between regulatory revenue billed and regulatory expense incurred is recorded as an addition or a reduction to regulatory charge expense, with a corresponding entry to accounts payable

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

– over-recovered regulatory fee or accounts receivable – under-recovered regulatory fee, whichever is appropriate. At September 30, 2023, the Rural Electric System reported a current asset – under-recovered regulatory fee of \$186,743.

Deferred Regulatory Liability

To better align certain benefits received with BTU’s retail rate design, the City Electric System utilizes regulatory accounting treatment for the funds it collects from customers and developers as contributions of aid in construction (AIC) under GASB Statement No. 62. The City Electric System recognizes AIC received as a deferred regulatory liability in the deferred inflows section of the Statement of Net Position. The deferred regulatory liability is amortized to accumulated depreciation over the life of the asset constructed.

During the fiscal year ended September 30, 2023, the City Electric System collected \$265,504 of AIC. The amortization of the deferred regulatory liability was \$170,289 for 2023. The deferred regulatory liability balance at September 30, 2023 was \$5,449,236.

During the fiscal year ended September 30, 2023, the Rural Electric System collected \$685,116 AIC. The amortization of the deferred regulatory liability was \$457,377 for 2023. The deferred regulatory liability balance at September 30, 2023 was \$14,636,049.

Compensated Absences

The City’s policy in effect during Fiscal Year 2023 allows employees to earn vacation leave at rates of 10 to 20 days (80 to 160 hours) per year with unlimited accumulation. Classified employees in the police and fire departments earn vacation at the rate of 15 days (120 hours or 180 hours for shift firefighters) per year in accordance with Texas Local Government Code, Chapter 143, until the employee reaches 15 years employment at which time the rate of accrual becomes the same rate as that for other City employees. Upon termination, employees with a minimum of one year employment, who leave in good standing, are paid for unused vacation time up to a maximum of two times the employee’s annual accrual rate at the time of separation.

City employees earn sick leave at a rate of 10 days (80 hours) per year and are permitted to accrue a maximum of 120 days (960 hours). Classified employees in the police and fire departments earn sick pay at the rate of 15 days (120 hours) per year in accordance with Texas Local Government Code, Chapter 143, with unlimited accumulation. Upon termination, classified police and fire department employees are paid for any unused sick leave up to a maximum of 90 days (720 hours or 1080 hours for shift firefighters). Non-classified employees are paid for accumulated sick leave up to a maximum of 240 hours upon termination, if they have a minimum of 480 hours accrued, dependent upon leaving in good standing and being continuously employed for a minimum of ten years in a regular, full-time position immediately prior to separation.

The City accrues vacation and sick pay when the liability is incurred. Amounts related to governmental fund types are reported in the government-wide financial statements. The liabilities of the governmental fund types are typically liquidated by the General fund and Community Development fund. All amounts related to proprietary fund types are recorded within those funds.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

New Accounting Pronouncements and Changes in Accounting Principles

For the fiscal year ended September 30, 2023, the City adopted:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The City adopted GASB 94 for the fiscal year 2023 financial statements with no impact to amounts previously reported.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

As a result of the adoption of the new SBITA standard, the City recognized liabilities of \$1,295,429 which represent the present value of the remaining discounted payments and right-to-use assets of \$1,295,429 at October 1, 2022 in governmental activities. There was no impact to the net position or change in net position as previously reported.

The following guidance issued by GASB is effective for years following FY 2023 and is expected to be applicable to the City:

GASB Statement No. 99, Omnibus 2022. This Statement enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB statements and 2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases were implemented in the fiscal year 2022 financial statements in conjunction with GASB 87. The requirements related to PPPs and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. These requirements for GASB 99 were implemented in the fiscal year 2023 financial statements in conjunction with GASB 94 and GASB 96 as described in Note 1. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. These requirements for GASB 99 will be implemented in the fiscal year 2024 financial statements and the impact has not yet been determined.

GASB Statement No. 100, Accounting Changes and Error Corrections. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

This Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB Statement No. 101, *Compensated Absences*. This Statement improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged.

The City is currently evaluating the impact of these statements.

2. DEPOSITS AND INVESTMENTS

Deposits

State statutes require that all deposits in financial institutions be fully collateralized with depository insurance or by U.S. Government obligations or its agencies and instrumentalities; or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of the deposits. At year-end, the City's demand deposits at Truist Bank, the City's depository bank, were covered by federal depository insurance or by collateral held by the Federal Reserve Bank in the City's name. At September 30, 2023 the amount of the City's demand deposits was \$42,259,290, BTU's City and Rural demand deposits were \$63,087,436, and the combined bank balance was \$105,346,726. At September 30, 2023, City deposits were under-collateralized by \$2,438,751. These accounts have been fully collateralized as of the issuances of the report.

Investments

The City's investment program is guided by State statutes, by various City ordinances and by the City's investment policy which amplifies those guidelines and prescribes how the City will operate its investment program in accordance with applicable laws and regulations.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

The City's policy, which was adopted by the City Council on September 12, 2023, for the fiscal year ending September 30, 2023, sets forth (1) the basic principles governing the investment of City funds; (2) the objectives of the City's investment program; and (3) the authority, responsibilities, limitations, documentation and requirements to be used in the administration and operation of the City's investment program.

Investments authorized by the investment policy are a subset of those approved by the State of Texas Public Funds Investment Act, Chapter 2256. The City of Bryan authorized investments include the following:

- a. Direct obligations of the United States government.
- b. Debentures or discount notes issued by, guaranteed by, or for which the credit of any Federal Agencies and Instrumentalities is pledged for payment.
- c. Bonds or other obligations for which the principal and interest are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States government or United States government agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
- d. Certificates of Deposit guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, in state or national banks located within the State of Texas.
- e. Repurchase Agreements and Reverse repurchase agreements only as part of a Public Investing Pool and in compliance with the Public Fund Investment Act limitations.
- f. Bankers Acceptances eligible for discounting with the Federal Reserve maturing within 90 days.
- g. Commercial Paper maturing within 365 days carrying a rating of A-1, P-1 or F-1.
- h. Money Market Mutual Funds that are AAA rated, regulated by the Securities and Exchange Commission and charge no commission fee on purchases or sales of shares.
- i. Public Funds Investment Pools organized under the Texas Interlocal Cooperation Act that follow the requirements in the Public Funds Investment Act.
- j. Direct obligations of the State of Texas and any political subdivisions thereof which are rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent.
- k. Hedging contracts and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

The City's cash and cash equivalents and investments at September 30, 2023 as are follows:

| | <u>Carrying Value</u> | <u>Percentage of Total</u> | <u>Wgt. Avg. Maturity (Days)</u> |
|-------------------------------|---------------------------|--------------------------------|--------------------------------------|
| U. S. Agencies and Treasuries | \$ 205,832,716 | 45.35% | 876 |
| Municipal Bonds | 74,051,802 | 16.31% | 971 |
| Government Pools | 68,673,367 | 15.13% | 62 |
| Demand Deposits | 105,337,829 | 23.21% | 1 day |
| | <u>\$ 453,895,714</u> | <u>100.00%</u> | |

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72 provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The City has recurring fair value measurements as presented in the table below. The investment balances at September 30, 2023 are as follows:

| <u>Investment measured at fair value</u> | <u>Value at FYE</u> | <u>Level 1 Inputs</u> | <u>Level 2 Inputs</u> | <u>Level 3 Inputs</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Municipal Bonds | \$ 74,051,802 | \$ - | \$ 74,051,802 | \$ - |
| U.S. Agency Bonds | 205,832,716 | - | 205,832,716 | - |
| | <u>\$ 279,884,518</u> | <u>\$ -</u> | <u>\$ 279,884,518</u> | <u>\$ -</u> |

The investments in government pools are measured at net asset value which approximates fair value and are exempt from reporting in the fair value hierarchy. U.S. Government Agency Securities and municipal bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

In accordance with GASB Statement No. 40, additional disclosures are provided below that address investment exposure to interest rate risk and credit risk including custodial credit risk and concentrations of credit risk. Because the City does not hold foreign investments, foreign currency risk is not discussed.

As of September 30, 2023, the City had the following investments:

| Investment Types | Value | Investment Maturity (in Years) | | |
|-------------------|----------------|-----------------------------------|----------------|-------------------|
| | | Less Than 1 | 1-5 | Greater Than 5 |
| Municipal Bonds | \$ 74,051,802 | \$ 26,355,419 | \$ 47,696,383 | \$ - |
| U.S. Agency Bonds | 205,832,716 | 59,402,769 | 146,429,947 | - |
| Total | \$ 279,884,518 | \$ 85,758,188 | \$ 194,126,330 | \$ - |

The City's investments in government pools include deposits in TexPool, TexSTAR, Texas CLASS, and Texas Range.

TexPool is a public funds investment pool operated by the Texas Treasury Safekeeping Trust Company, an entity of which the Texas Comptroller of Public Accounts is the sole officer, director, and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Texas Public Funds Investment Act. Administrative and investment services are provided by Federated Investors, Inc., and the assets are kept in a separate custodial account at the State Street bank in the name of TexPool.

TexSTAR was created in April 2003 pursuant to the Interlocal Cooperation Act of the State of Texas, chapter 791 of the Texas Government Code and the Public Funds Investment Act, chapter 2256 of the Texas Government Code. TexSTAR policies require that local government deposits be used to purchase investments authorized by the Texas Public Funds Investment Act. The State Comptroller of Public Accounts exercises responsibility over TexSTAR. TexSTAR is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management. J.P. Morgan Investment Management, Inc. provides investment advisory services.

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) was created as a local government investment pool (LGIP) pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code (PFIA). Per state code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian.

Texas RANGE is a local government investment pool established under the authority of the Public Funds Investment act and is administered by Public Trust Advisors, LLC. Wells Fargo Bank, N.A. serves as custodian for the Texas RANGE pool. Texas RANGE operates three funds in which the City participates.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

- Texas RANGE DAILY SELECT is an investment option that utilizes all eligible investments as defined by the Public Funds Investment Act.
- Texas RANGE DAILY is an investment option that utilizes only investments that are backed or collateralized with U.S. Treasury or U.S. Government Agency obligations.
- Texas RANGE TERM – is an investment with maturities from 60 days to one year with fixed-rate, fixed-term options.

The intent of Texas RANGE is to operate on a \$1.00 net asset value basis. Texas RANGE allows same day or next day redemptions and deposits. Interest is allocated daily based on portfolio earnings and participant account balances. The portfolio is valued daily using the amortized cost valuation method. This pool is not managed by the City and the City does not possess securities that exist in either physical or book entry form. Texas RANGE is rated AAmmf by Fitch Ratings.

The investment pools do not have any limitations or restrictions on withdrawals, such as notice periods or maximum transaction amounts, and do not impose any liquidity or redemption gates.

The revenue bond ordinances require disclosure of the investments held by the reserve fund. Sufficient investments exist in the pool to adequately meet reserve fund requirements. A detailed list of those securities is available in the office of the Chief Financial Officer.

Custodial Risk – City deposits in excess of the \$250,000 amount covered by the Federal Depository Insurance Corporation (“FDIC”) must be secured by authorized securities with a fair value equal to or greater than 105% of the total deposits. At September 30, 2023, City deposits were under-collateralized by \$2,438,751. These accounts have been fully collateralized as of the issuances of the report.

Interest Rate Risk – The City minimized the risk associated with the decline in fair value of securities due to rising interest rates (interest rate risk) by maintaining a (“buy and hold”) strategy whereby investment securities are purchased with the intent to hold the securities in the portfolio until maturity. Additionally, the City’s Investment Policy limits the weighted average maturity of all securities and Certificates of Deposit in the City’s portfolio to no more than three years at any given time. The City’s investment strategy acts to reduce interest rate risk through investing funds to meet cash flow requirements; monitoring the credit ratings of portfolio investments to assure compliance with the Investment Policy and the Texas Public Funds Investment Act; and investing in a diversified portfolio of assets including obligations of the United States and its agencies and instrumentalities, money market mutual funds, and government investment pools.

Credit Risk and Concentration of Credit Risk – In compliance with the City’s Investment Policy and the Texas Public Funds Investment Act, the City managed credit risk through portfolio diversification by limiting investments to avoid over concentration in securities from a specific issuer; limiting investments in securities with high credit risk; and investing in securities with varying maturities.

Foreign Currency Risk – By virtue of the City’s Investment Policy and the Texas Public Funds Investment Act, the City is not exposed to foreign currency risk because the City is not authorized to maintain deposits or investments denominated in a foreign currency.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

3. PROPERTY TAXES

Property tax is levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the City Council.

Taxpayers have two options for paying property taxes, the full payment option or the split payment option. Taxpayers electing the full payment option have from October 1 of the tax year to January 31 of the following year to pay the full amount of taxes without penalty or interest. Taxes become delinquent on February 1. Any unpaid balance will accrue penalty and interest. Taxpayers electing the split payment option have from October 1 to November 30 of the tax year to pay half of the tax amount. The remaining half may be paid without penalty or interest any time on or before June 30 of the following year. Taxes become delinquent on July 1.

Taxpayers who were 65 years of age or older on January 1, and have filed an application for exemption may pay the taxes on their homestead in four equal installments. Quarterly payments are due January 31, March 31, May 31, and July 31.

Delinquent taxes are subject to interest and penalty charges. The tax rate to finance general governmental services including debt service was 62.4 cents per \$100 of assessed valuation for the year ended September 30, 2023. Under provisions adopted by the City, the maximum tax rate is limited to \$1.50 per \$100 of assessed valuation.

The Brazos Central Appraisal District (“Appraisal District”) is responsible for the recording and appraisal of property for all taxing units in the County. The Appraisal District is required to assess property at 100% of its appraised value. Real property must be reappraised at least every three years. The City may, at its own expense, require annual reviews by the Appraisal District through various appeals and, if necessary, legal action. Under this system, if the rate, excluding tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than 3.5%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 3.5% above the tax rate of the previous year.

The Brazos County Tax Office bills and collects the property taxes of the City.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 was as follows:

| | Balance October 1 | Additions / Completions | Retirements / Adjustments | Balance September 30 |
|---|-----------------------|----------------------------|------------------------------|-------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 14,073,708 | \$ 2,717 | \$ (1,470) | \$ 14,074,955 |
| Construction in progress | 76,468,573 | 2,773,182 | - | 79,241,755 |
| Total capital assets not being depreciated/amortized | <u>90,542,281</u> | <u>2,775,899</u> | <u>(1,470)</u> | <u>93,316,710</u> |
| Capital assets, being depreciated | | | | |
| Intangibles | 60,250 | - | - | 60,250 |
| Intangibles - right of use* | 1,295,429 | - | - | 1,295,429 |
| Buildings | 47,921,627 | 1,074,821 | (304,335) | 48,692,113 |
| Buildings - right of use | 1,770,463 | - | - | 1,770,463 |
| Machinery and equipment | 46,689,132 | 3,834,798 | (904,925) | 49,619,005 |
| Machinery and equipment - right of use | 117,625 | 2,108,520 | - | 2,226,145 |
| Improvements other than buildings | 56,454,202 | 9,720,439 | - | 66,174,641 |
| Infrastructure | 271,656,282 | 25,666,784 | - | 297,323,066 |
| Total capital assets being depreciated/amortized | <u>425,965,010</u> | <u>42,405,362</u> | <u>(1,209,260)</u> | <u>467,161,112</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Intangibles | (38,493) | (20,083) | - | (58,576) |
| Intangibles - right of use | - | (228,605) | - | (228,605) |
| Buildings | (22,087,572) | (1,228,725) | - | (23,316,297) |
| Buildings - right of use | (274,003) | (295,112) | - | (569,115) |
| Machinery and equipment | (35,856,567) | (2,562,080) | 745,732 | (37,672,915) |
| Machinery and equipment - right of use | (41,515) | (41,514) | - | (83,029) |
| Improvements other than buildings | (33,047,072) | (1,732,628) | - | (34,779,700) |
| Infrastructure | (147,144,285) | (9,705,640) | - | (156,849,925) |
| Total accumulated depreciation/amortization | <u>(238,489,507)</u> | <u>(15,814,387)</u> | <u>745,732</u> | <u>(253,558,162)</u> |
| Total capital assets being depreciated/amortized, net | <u>187,475,503</u> | <u>26,590,975</u> | <u>(463,528)</u> | <u>213,602,950</u> |
| Governmental activities capital assets, net | <u>\$ 278,017,784</u> | <u>\$ 29,366,874</u> | <u>\$ (464,998)</u> | <u>\$ 306,919,660</u> |
| Business-type activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 30,074,230 | \$ 10,310,393 | \$ (3,979,595) | \$ 36,405,028 |
| Construction in progress | 112,441,797 | 68,714,917 | (94,077,117) | 87,079,597 |
| Retirement in progress | 1,165,988 | 3,136,073 | (3,462,251) | 839,810 |
| Total capital assets not being depreciated/amortized | <u>143,682,015</u> | <u>82,161,383</u> | <u>(101,518,963)</u> | <u>124,324,435</u> |
| Capital assets, being depreciated | | | | |
| Buildings | 27,461,271 | 262,187 | - | 27,723,458 |
| Machinery and equipment | 21,809,157 | 2,932,502 | - | 24,741,659 |
| Machinery and equipment - right of use | 96,106 | - | - | 96,106 |
| Improvements other than buildings | 1,034,376,891 | 105,297,175 | (978,070) | 1,138,695,996 |
| Total capital assets being depreciated/amortized | <u>1,083,743,425</u> | <u>108,491,864</u> | <u>(978,070)</u> | <u>1,191,257,219</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (7,650,287) | (1,154,851) | - | (8,805,138) |
| Machinery and equipment | (16,477,091) | (1,572,420) | - | (18,049,511) |
| Machinery and equipment - right of use | (19,221) | (19,221) | - | (38,442) |
| Improvements other than buildings | (408,889,125) | (31,212,895) | 3,652,807 | (436,449,213) |
| Total accumulated depreciation/amortization | <u>(433,035,724)</u> | <u>(33,959,387)</u> | <u>3,652,807</u> | <u>(463,342,304)</u> |
| Total capital assets being depreciated/amortized, net | <u>650,707,701</u> | <u>74,532,477</u> | <u>2,674,737</u> | <u>727,914,915</u> |
| Business-type activities capital assets, net | <u>\$ 794,389,716</u> | <u>\$ 156,693,860</u> | <u>\$ (98,844,226)</u> | <u>\$ 852,239,350</u> |

*Beginning balances restated due to adoption of GASB Statement No. 96 Subscription-Based IT Arrangements. See Note 1.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Capital asset activity for Bryan Business Council, Inc. (BBC) for the year ended September 30, 2023 was as follows:

| | Balance July 1 | Additions / Completions | Retirements / Adjustments | Balance June 30 |
|---|----------------------|----------------------------|------------------------------|----------------------|
| Capital assets not being depreciated | | | | |
| Land Available for Resale | \$ 15,242,999 | \$ - | \$ (2,849,551) | \$ 12,393,448 |
| Allowance for decline in value | (310,652) | - | 310,652 | - |
| Total Land | 14,932,347 | - | (2,538,899) | 12,393,448 |
| Construction in progress | - | 69,850 | - | 69,850 |
| Total capital assets not being depreciated, net | 14,932,347 | 69,850 | (2,538,899) | 12,463,298 |
| Capital assets, being depreciated | | | | |
| Buildings | 1,959,015 | - | (1,959,015) | - |
| Total capital assets being depreciated, net | 1,959,015 | - | (1,959,015) | - |
| Governmental activities capital assets, net | <u>\$ 16,891,362</u> | <u>\$ 69,850</u> | <u>\$ (4,497,914)</u> | <u>\$ 12,463,298</u> |

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

Governmental activities:

| | |
|---|----------------------|
| General government and administration | \$ 1,228,223 |
| Development services | 92,263 |
| Public works services | 10,131,715 |
| Public safety | 2,645,497 |
| Cultural and recreational | 1,716,689 |
| Total depreciation/amortization expense - Governmental activities | <u>\$ 15,814,387</u> |

Business-type activities:

| | |
|--|----------------------|
| City Electric | 17,933,384 |
| Rural Electric | 5,102,304 |
| Water | 4,445,663 |
| Wastewater | 5,107,424 |
| Other Enterprise Funds | 1,370,612 |
| Total depreciation/amortization expense - Business-type activities | <u>\$ 33,959,387</u> |

The City has active construction projects as of September 30, 2023. Total accumulated commitments for ongoing capital projects are composed of the following:

| | Committed |
|---------------------------------|----------------------|
| Street improvements | \$ 13,296,268 |
| Drainage improvements | 396,498 |
| Parks Development | 14,981,967 |
| Electric Improvements | 15,026,612 |
| Water system improvements | 8,252,716 |
| Wastewater system improvements | 4,417,749 |
| Solid waste system improvements | 31,747 |
| Airport improvements | 10,312 |
| Total | <u>\$ 56,413,869</u> |

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

5. LONG-TERM DEBT

The following is a summary of long-term debt transactions (except vacation and sick pay and claims and judgments) for the year ended September 30, 2023:

| | Beginning Balance | Issued | Matured/ Refunded | Ending Balance | Due within one year |
|-------------------------------------|----------------------|--------|----------------------|-------------------|------------------------|
| <u>Governmental Activities:</u> | | | | | |
| General Obligation Bonds | \$ 81,802,127 | \$ - | \$ 7,444,162 | \$ 74,357,965 | \$ 7,728,396 |
| Certificates of Obligation | 117,405,000 | - | 3,045,000 | 114,360,000 | 3,545,000 |
| Total governmental activities | 199,207,127 | - | 10,489,162 | 188,717,965 | 11,273,396 |
| Total Premium | 5,611,700 | - | 394,559 | 5,217,141 | 394,559 |
| Total Governmental Activities, net | 204,818,827 | - | 10,883,721 | 193,935,106 | 11,667,955 |
| <u>Business-type Activities:</u> | | | | | |
| Water, Sewer & Airport Systems: | | | | | |
| General Obligation Bonds | 2,797,873 | - | 740,838 | 2,057,035 | 761,604 |
| Certificates of Obligation | 870,000 | - | 50,000 | 820,000 | 50,000 |
| Private Placement Revenue Bonds | 24,330,000 | - | 1,945,000 | 22,385,000 | 1,845,000 |
| Revenue Bonds | 16,140,000 | - | 1,250,000 | 14,890,000 | 1,295,000 |
| Electric System : | | | | | |
| General Obligation Bonds | 2,515,000 | - | 810,000 | 1,705,000 | 835,000 |
| Certificates of Obligation | 30,055,000 | - | 1,435,000 | 28,620,000 | 1,485,000 |
| Revenue Bonds | 297,880,000 | - | 11,595,000 | 286,285,000 | 12,085,000 |
| Total business type activities | 374,587,873 | - | 17,825,838 | 356,762,035 | 18,356,604 |
| Total Premium | 34,345,720 | - | 2,023,002 | 32,322,718 | 2,023,002 |
| Total Business-type Activities, net | 408,933,593 | - | 19,848,840 | 389,084,753 | 20,379,606 |
| Total long-term debt | 573,795,000 | - | 28,315,000 | 545,480,000 | 29,630,000 |
| Total long-term debt, net | \$ 613,752,420 | \$ - | \$ 30,732,561 | \$ 583,019,859 | \$ 32,047,561 |

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Long-term debt at September 30, 2023 consists of bonds and certificates of obligation maturing serially and is summarized as follows:

| <u>Issue</u> | <u>Interest Rates (%)</u> | <u>Series Matures</u> | <u>First Callable Date</u> | <u>Governmental</u> | <u>Business-type</u> | <u>Total</u> |
|---|---------------------------|-----------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| <u>General Obligation Bonds:</u> | | | | | | |
| Refunding, Series 2013 | 2.00 - 3.50 | 2026 | 08/15/23 | \$ 3,538,874 | \$ 1,041,126 | \$ 4,580,000 |
| Refunding, Series 2014 | 2.00 - 3.25 | 2031 | 08/15/24 | 3,084,091 | 1,015,909 | 4,100,000 |
| Refunding, Series 2015 | 2.00 - 4.00 | 2025 | None | 2,000,000 | 1,705,000 | 3,705,000 |
| Refunding, Series 2016 | 1.50 - 3.00 | 2026 | None | 2,470,000 | - | 2,470,000 |
| Refunding, Series 2018 | 2.00 - 5.00 | 2028 | None | 3,375,000 | - | 3,375,000 |
| Refunding, Series 2019 | 2.00 - 3.00 | 2028 | None | 2,935,000 | - | 2,935,000 |
| Refunding, Series 2020 | 2.00 - 4.00 | 2030 | 08/15/28 | 5,105,000 | - | 5,105,000 |
| Pension Obligation, Series 2020 | 0.45 - 2.89 | 2040 | 08/15/31 | 51,850,000 | - | 51,850,000 |
| Total General Obligation Bonds | | | | <u>74,357,965</u> | <u>3,762,035</u> | <u>78,120,000</u> |
| <u>Certificates of Obligation:</u> | | | | | | |
| Combination Tax & Revenue, Series 2013 | 3.00 - 4.25 | 2033 | 08/15/23 | - | 3,265,000 | 3,265,000 |
| Combination Tax & Revenue, Series 2014 | 2.00 - 5.00 | 2039 | 08/15/24 | 4,065,000 | 25,355,000 | 29,420,000 |
| Combination Tax & Revenue, Series 2016 | 2.00 - 5.00 | 2036 | 08/15/26 | 6,180,000 | 820,000 | 7,000,000 |
| Combination Tax & Revenue, Series 2018 | 3.00 - 4.00 | 2038 | 08/15/27 | 9,625,000 | - | 9,625,000 |
| Combination Tax & Revenue, Series 2020 | 2.00 - 5.00 | 2050 | 02/15/29 | 67,165,000 | - | 67,165,000 |
| Combination Tax & Revenue, Series 2022 | 4.00 - 5.00 | 2052 | 02/15/31 | 27,325,000 | - | 27,325,000 |
| Total Certificates of Obligation | | | | <u>114,360,000</u> | <u>29,440,000</u> | <u>143,800,000</u> |
| <u>Private Placement Revenue Bonds:</u> | | | | | | |
| Sewer System Private Placement, Series 2011 | 0.00 - 2.70 | 2030 | 07/01/21 | - | 6,155,000 | 6,155,000 |
| Water System Private Placement, Series 2016B | 0.61 - 2.61 | 2041 | 07/01/27 | - | 1,765,000 | 1,765,000 |
| Water and Sewer System Private Placement, Series 2021 | 0.16 - 2.52 | 2046 | 07/01/31 | - | 14,465,000 | 14,465,000 |
| Total Private Placement Bonds | | | | <u>-</u> | <u>22,385,000</u> | <u>22,385,000</u> |
| <u>Revenue Bonds:</u> | | | | | | |
| Electric System Revenue City, Series 2016 | 3.497 - 5.00 | 2041 | 07/01/26 | - | 59,830,000 | 59,830,000 |
| Electric System Revenue Rural, Series 2016 | 2.00 - 5.00 | 2041 | 07/01/26 | - | 12,340,000 | 12,340,000 |
| Water System Revenue, Series 2016A | 2.25 - 5.00 | 2036 | 07/01/26 | - | 3,125,000 | 3,125,000 |
| Water and Sewer System Revenue, Series 2017 | 3.00 - 4.00 | 2032 | 07/01/27 | - | 7,505,000 | 7,505,000 |
| Electric System Revenue City, Series 2017 | 3.00 - 5.00 | 2034 | 07/01/27 | - | 40,480,000 | 40,480,000 |
| Electric System Revenue City, Series 2018 | 4.00 - 5.00 | 2043 | 07/01/27 | - | 36,640,000 | 36,640,000 |
| Electric System Revenue Rural, Series 2018 | 4.00 - 5.00 | 2043 | 07/01/27 | - | 15,555,000 | 15,555,000 |
| Water and Sewer System Revenue Refunding, Series 2019 | 2.00 - 3.00 | 2029 | 07/01/27 | - | 1,935,000 | 1,935,000 |
| Water and Sewer System Revenue Refunding, Series 2020 | 2.00 - 3.00 | 2030 | 07/01/28 | - | 2,325,000 | 2,325,000 |
| Electric System Revenue City, Series 2021 | 4.00 - 5.00 | 2046 | 07/01/31 | - | 15,000,000 | 15,000,000 |
| Electric System Revenue Rural, Series 2021 | 2.50 - 5.00 | 2046 | 07/01/31 | - | 18,565,000 | 18,565,000 |
| Electric System Revenue City, Series 2021A | 2.50 - 5.00 | 2046 | 07/01/31 | - | 63,935,000 | 63,935,000 |
| Electric System Revenue Refunding City, Series 2022 | 5.00 - 5.00 | 2035 | 07/01/32 | - | 23,940,000 | 23,940,000 |
| Total Revenue Bonds | | | | <u>-</u> | <u>301,175,000</u> | <u>301,175,000</u> |
| Total long-term debt | | | | <u>188,717,965</u> | <u>356,762,035</u> | <u>545,480,000</u> |
| Total Premium | | | | <u>5,217,141</u> | <u>32,322,718</u> | <u>37,539,859</u> |
| Total long-term debt, net | | | | <u>\$ 193,935,106</u> | <u>\$ 389,084,753</u> | <u>\$ 583,019,859</u> |

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Debt service requirements to maturity for all bonds, certificates of obligation, contractual obligations and notes payable are summarized as follows:

General Obligation Bonds

| Year | Governmental Activities | | Business-type Activities | | Total |
|-----------|-------------------------|----------------------|--------------------------|-------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2024 | \$ 7,728,396 | \$ 1,864,335 | \$ 1,596,604 | \$ 116,444 | \$ 11,305,779 |
| 2025 | 7,120,414 | 1,657,681 | 1,379,586 | 60,197 | 10,217,878 |
| 2026 | 5,653,748 | 1,485,198 | 321,252 | 24,450 | 7,484,648 |
| 2027 | 4,258,276 | 1,355,141 | 86,724 | 14,420 | 5,714,561 |
| 2028 | 4,504,559 | 1,245,102 | 90,441 | 11,819 | 5,851,921 |
| 2029-2033 | 16,327,572 | 4,805,898 | 287,428 | 18,511 | 21,439,409 |
| 2034-2038 | 19,165,000 | 2,924,475 | - | - | 22,089,475 |
| 2039-2043 | 9,600,000 | 417,970 | - | - | 10,017,970 |
| 2044-2048 | - | - | - | - | - |
| 2049-2053 | - | - | - | - | - |
| Total | <u>\$ 74,357,965</u> | <u>\$ 15,755,800</u> | <u>\$ 3,762,035</u> | <u>\$ 245,841</u> | <u>\$ 94,121,641</u> |

Certificates of Obligation

| Year | Governmental Activities | | Business-type Activities | | Total |
|-----------|-------------------------|----------------------|--------------------------|---------------------|-----------------------|
| | Principal | Interest | Principal | Interest | |
| 2024 | \$ 3,545,000 | \$ 3,733,009 | \$ 1,535,000 | \$ 1,048,613 | \$ 9,861,622 |
| 2025 | 3,700,000 | 3,570,484 | 1,610,000 | 977,723 | 9,858,207 |
| 2026 | 3,965,000 | 3,394,709 | 1,660,000 | 926,923 | 9,946,632 |
| 2027 | 4,030,000 | 3,208,458 | 1,720,000 | 873,123 | 9,831,581 |
| 2028 | 4,205,000 | 3,032,058 | 1,765,000 | 819,073 | 9,821,131 |
| 2029-2033 | 22,680,000 | 12,661,517 | 9,795,000 | 3,166,340 | 48,302,857 |
| 2034-2038 | 22,935,000 | 9,233,958 | 9,325,000 | 1,441,908 | 42,935,866 |
| 2039-2043 | 18,915,000 | 6,230,319 | 2,030,000 | 77,140 | 27,252,459 |
| 2044-2048 | 19,525,000 | 3,399,131 | - | - | 22,924,131 |
| 2049-2053 | 10,860,000 | 657,656 | - | - | 11,517,656 |
| Total | <u>\$ 114,360,000</u> | <u>\$ 49,121,299</u> | <u>\$ 29,440,000</u> | <u>\$ 9,330,843</u> | <u>\$ 202,252,142</u> |

Private Placement Revenue Bonds

| Year | Governmental Activities | | Business-type Activities | | Total |
|-----------|-------------------------|-------------|--------------------------|---------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2024 | \$ - | \$ - | \$ 1,845,000 | \$ 417,648 | \$ 2,262,648 |
| 2025 | - | - | 1,545,000 | 390,438 | 1,935,438 |
| 2026 | - | - | 1,550,000 | 367,288 | 1,917,288 |
| 2027 | - | - | 1,550,000 | 342,415 | 1,892,415 |
| 2028 | - | - | 1,485,000 | 315,746 | 1,800,746 |
| 2029-2033 | - | - | 4,795,000 | 1,232,488 | 6,027,488 |
| 2034-2038 | - | - | 3,625,000 | 898,587 | 4,523,587 |
| 2039-2043 | - | - | 3,760,000 | 514,732 | 4,274,732 |
| 2044-2048 | - | - | 2,230,000 | 107,338 | 2,337,338 |
| 2049-2053 | - | - | - | - | - |
| Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,385,000</u> | <u>\$ 4,586,680</u> | <u>\$ 26,971,680</u> |

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Revenue Bonds

| Year | Governmental Activities | | Business-type Activities | | Total |
|-----------|-------------------------|----------|--------------------------|----------------|----------------|
| | Principal | Interest | Principal | Interest | |
| 2024 | \$ - | \$ - | \$ 13,380,000 | \$ 12,462,138 | \$ 25,842,138 |
| 2025 | - | - | 14,420,000 | 11,813,238 | 26,233,238 |
| 2026 | - | - | 15,110,000 | 11,116,888 | 26,226,888 |
| 2027 | - | - | 15,825,000 | 10,390,288 | 26,215,288 |
| 2028 | - | - | 16,580,000 | 9,631,988 | 26,211,988 |
| 2029-2033 | - | - | 86,900,000 | 36,042,568 | 122,942,568 |
| 2034-2038 | - | - | 63,655,000 | 19,371,706 | 83,026,706 |
| 2039-2043 | - | - | 57,865,000 | 7,807,651 | 65,672,651 |
| 2044-2048 | - | - | 17,440,000 | 965,900 | 18,405,900 |
| 2049-2053 | - | - | - | - | - |
| Total | \$ - | \$ - | \$ 301,175,000 | \$ 119,602,363 | \$ 420,777,363 |

Total Long-Term Debt

| Year | Governmental Activities | | Business-type Activities | | Total |
|-----------|-------------------------|---------------|--------------------------|----------------|----------------|
| | Principal | Interest | Principal | Interest | |
| 2024 | \$ 11,273,396 | \$ 5,597,344 | \$ 18,356,604 | \$ 14,044,843 | \$ 49,272,187 |
| 2025 | 10,820,414 | 5,228,165 | 18,954,586 | 13,241,596 | 48,244,761 |
| 2026 | 9,618,748 | 4,879,907 | 18,641,252 | 12,435,549 | 45,575,456 |
| 2027 | 8,288,276 | 4,563,599 | 19,181,724 | 11,620,246 | 43,653,845 |
| 2028 | 8,709,559 | 4,277,160 | 19,920,441 | 10,778,626 | 43,685,786 |
| 2029-2033 | 39,007,572 | 17,467,415 | 101,777,428 | 40,459,907 | 198,712,322 |
| 2034-2038 | 42,100,000 | 12,158,433 | 76,605,000 | 21,712,201 | 152,575,634 |
| 2039-2043 | 28,515,000 | 6,648,289 | 63,655,000 | 8,399,523 | 107,217,812 |
| 2044-2048 | 19,525,000 | 3,399,131 | 19,670,000 | 1,073,238 | 43,667,369 |
| 2049-2053 | 10,860,000 | 657,656 | - | - | 11,517,656 |
| Total | \$ 188,717,965 | \$ 64,877,099 | \$ 356,762,035 | \$ 133,765,727 | \$ 744,122,825 |

All net revenues of the City Electric Fund, Rural Electric Fund, Water and Wastewater Systems are pledged for the payment of each funds' respective revenue bonds. Net revenues, as defined by the various revenue bond ordinances, include substantially all of the revenues and expenses of each respective system other than certain interest income and expense and depreciation and amortization. These bond ordinances further require that the net revenues as defined equal at least 1.10 times the average annual debt service on all outstanding City Electric Fund revenue bonds, 1.20 times the average annual debt service on all outstanding Rural Electric Fund revenue bonds and 1.25 times the average annual debt service on all outstanding Water and Wastewater System revenue bonds.

Under the terms of the bond covenants, the City Electric and Rural Electric Funds are required to maintain minimum reserve fund requirements equal to approximately one year of debt service requirements. The reserve fund requirements may be satisfied by cash, letter of credit, or an insurance policy. The reserve fund requirements for the City Electric Fund Series 2018 bonds are satisfied with restricted funds. The reserve fund requirements for the City Electric Fund Series 2016, 2017, 2021, 2021A and 2022 bonds are satisfied with insurance policies, as are the Rural Electric Fund's Series 2016, 2018 and 2021 bonds. There are no reserve requirements for the Rural Electric

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Fund 2013 and the City Electric Fund 2014 Certificates of Obligation or the City Electric Fund 2015 General Obligation Refunding Bonds.

The ordinance authorizing the Waterworks and Sewer System revenue bonds stipulates that the City will deposit certain amounts into a reserve fund for the purpose of retiring the last of the bonds as they become due or to pay principal of and interest on the outstanding bonds if necessary. The ordinance also allows the City to replace or substitute a credit facility for cash or investments on deposit in the reserve fund. For the Series 2017 bonds, the City has exercised the option to replace the reserve fund requirement with a surety bond.

The City reserves the right at any time to merge its City Electric Fund and its Rural Electric Fund into a single operating electric utility system. The merger of the Rural Electric Division would not have an adverse impact on the bondholders.

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the City to rebate excess arbitrage earnings from bond proceeds to the federal government. As provided for by the bond ordinances, this amount would be as a liability in the Proprietary funds for the benefit of the federal government and will be paid as required by applicable regulations. The City did not have an arbitrage liability as of September 30, 2023.

Other long-term liabilities

Changes in the accrual for unpaid vacation and sick pay are detailed below:

| | Year Ended September 30, 2023 | | |
|-----------------------------|-------------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Beginning balance | \$ 11,458,800 | \$ 3,098,093 | \$ 14,556,893 |
| Plus additions | 1,902,783 | 1,058,996 | 2,961,779 |
| Less payments | (3,457,732) | (1,785,503) | (5,243,235) |
| Ending balance | <u>\$ 9,903,851</u> | <u>\$ 2,371,586</u> | <u>\$ 12,275,437</u> |
| Amount due in one year | \$ 3,277,441 | \$ 1,539,397 | \$ 4,816,838 |
| Amount due in over one year | \$ 6,626,410 | \$ 832,189 | \$ 7,458,599 |

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

The City has entered into multiple lease agreements as lessee. The leases allow the right-to-buildings and equipment over the term of the lease. The City is required to make monthly or yearly payments at its incremental borrowing rate or the interest rate stated or implied within the leases. The lease rate, term and ending lease liability are as follows:

| | Interest Rate (s) | Liability at Commencement | Lease Term in Years | Ending Balance |
|----------------------------------|----------------------|------------------------------|------------------------|---------------------|
| <u>Governmental Activities:</u> | | | | |
| Buildings | 4.00% | \$ 1,770,463 | 3-7 | \$ 1,254,358 |
| Equipment | 3.55 - 5.60% | 2,226,145 | 3-10 | 2,144,244 |
| Total governmental activities | | <u>\$ 3,996,608</u> | | <u>\$ 3,398,602</u> |
| <u>Business-type Activities:</u> | | | | |
| Equipment | 4.00% | \$ 96,106 | 5 | \$ 78,363 |
| Total business-type activities | | <u>\$ 96,106</u> | | <u>\$ 78,363</u> |

The future principal and interest lease payments as of fiscal year end are as follows:

| Year | Governmental Activities | | Business-type Activities | | Total |
|-----------|-------------------------|-------------------|--------------------------|-----------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| 2024 | \$ 487,773 | \$ 163,575 | \$ 37,646 | \$ 5,530 | \$ 694,524 |
| 2025 | 450,404 | 142,273 | 19,959 | 1,629 | 614,265 |
| 2026 | 448,376 | 121,939 | 20,758 | 830 | 591,903 |
| 2027 | 469,418 | 100,898 | - | - | 570,316 |
| 2028-2032 | 1,276,461 | 273,539 | - | - | 1,550,000 |
| 2033-2037 | 266,170 | 14,906 | - | - | 281,076 |
| Total | <u>\$ 3,398,602</u> | <u>\$ 817,130</u> | <u>\$ 78,363</u> | <u>\$ 7,989</u> | <u>\$ 4,302,084</u> |

The value of the right-to-use assets as of the end of the current fiscal year was \$4,092,714 and had accumulated amortization of \$690,587.

The City has entered into a subscription-based information technology arrangement ("SBITA") which allows the right to use vendor-provided information technology. The City is required to make yearly payments at its incremental borrowing rate or the interest rate stated or implied within the SBITA. The SBITA rate, term and ending liability are as follows:

| | Interest Rate (s) | Liability at Commencement | Term in Years | Ending Balance |
|---------------------------------|----------------------|------------------------------|------------------|-------------------|
| <u>Governmental Activities:</u> | | | | |
| Subscriptions Payable | 5.60% | \$ 1,295,429 | 3-7 | \$ 904,489 |
| Total governmental activities | | <u>\$ 1,295,429</u> | | <u>\$ 904,489</u> |

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

The future principal and interest SBITA payments as of fiscal year end are as follows:

| <u>Year</u> | <u>Governmental Activities</u> | | <u>Total</u> |
|-------------|--------------------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 2024 | \$ 207,990 | \$ 50,651 | \$ 258,641 |
| 2025 | 219,637 | 39,004 | 258,641 |
| 2026 | 231,937 | 26,704 | 258,641 |
| 2027 | 244,925 | 13,716 | 258,641 |
| Total | <u>\$ 904,489</u> | <u>\$ 130,075</u> | <u>\$ 1,034,564</u> |

The value of the right-to-use assets as of the end of the current fiscal year was \$1,295,429 and had accumulated amortization of \$228,605.

6. PRIOR-YEAR DEFEASANCE OF DEBT

As of September 30, 2023, the City had no outstanding general obligation bonds, certificates of obligation, or revenue bonds which were considered defeased.

7. BONDS AVAILABLE FOR SALE

Authorized general obligation bonds available for future issue are as follows:

| | <u>Year Authorized</u> | <u>Unissued Amount</u> |
|---------------------------------|------------------------|------------------------|
| Streets | 1984 | \$ 8,225,000 |
| Parks and Recreation Facilities | 1984 | 1,775,000 |
| Railroad Grade Separation | 1984 | 2,850,000 |
| Sanitary Landfill | 1984 | 200,000 |
| Total | | <u>\$ 13,050,000</u> |

During FY 1984, the City Council voted to comply with the option provided by state law that does not require voter approval on revenue bonds prior to issuance.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

8. NATURE AND PURPOSE OF CLASSIFICATION OF FUND EQUITY

The fund balance classifications for Governmental Funds are:

- Nonspendable – includes fund balance amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City through the adoption of an ordinance by the City Council. In order for fund balance to be committed, the City Council must adopt an ordinance stating the purpose for which the fund balance is committed. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (adoption of an ordinance) it employed to previously commit these amounts.
- Assigned – includes fund balance amounts that are self-imposed by the City to be used for a particular purpose. Fund balance can be assigned by the City Manager, the Chief Financial Officer or their designee. This authority was delegated to the City Manager and the Chief Financial Officer by formal resolution of the City Council. Assignments also include encumbrances for streets, drainage and capital projects.
- Unassigned – includes the residual fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Similarly, committed fund balances are reduced first followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications are available.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

The City's classification of fund balances is as follows at September 30, 2023:

| | General Fund | Debt Service Fund | Other Governmental Funds | Total |
|----------------------------|-----------------------------|-----------------------------|--------------------------------|------------------------------|
| Nonspendable: | | | | |
| Permanent Funds Corpus | \$ - | \$ - | \$ 1,465,582 | \$ 1,465,582 |
| Other Purposes | 57,022 | 1,881,413 | 181,205 | 2,119,640 |
| Restricted for: | | | | |
| Debt Service | - | 22,948,869 | - | 22,948,869 |
| Hotel/Motel | - | - | 2,153,006 | 2,153,006 |
| Municipal Court | 181,649 | - | 214,797 | 396,446 |
| TIRZ Development | - | - | 4,107,226 | 4,107,226 |
| Capital Projects | - | - | 23,333,129 | 23,333,129 |
| Cemeteries | - | - | 112,233 | 112,233 |
| Libraries | - | - | 4,989 | 4,989 |
| Fire | 818 | - | - | 818 |
| Police | 150,284 | - | - | 150,284 |
| Record Preservation | 38,577 | - | - | 38,577 |
| Other Purposes | 1,159,763 | - | 17,631 | 1,177,394 |
| Tax Abatements | 2,205,446 | - | - | 2,205,446 |
| Animal Center | 351,236 | - | - | 351,236 |
| Committed to: | | | | |
| Parks | 686,937 | - | 2,577,188 | 3,264,125 |
| Streets | - | - | 12,966,464 | 12,966,464 |
| Drainage | 3,835,997 | - | 1,490,419 | 5,326,416 |
| Severance Reserve | 1,658,780 | - | - | 1,658,780 |
| Other Purposes | - | - | 2,937,479 | 2,937,479 |
| Assigned to: | | | | |
| Parks | 538,473 | - | - | 538,473 |
| Streets and Drainage | 243,628 | - | - | 243,628 |
| Other Purposes* | 21,919,686 | - | - | 21,919,686 |
| Unassigned | 19,128,574 | - | (607,256) | 18,521,318 |
| Total fund balances | <u>\$ 52,156,870</u> | <u>\$ 24,830,282</u> | <u>\$ 50,954,092</u> | <u>\$ 127,941,244</u> |

*Assigned other purposes include America Rescue Plan Act, encumbered, and designated library fund balances.

Net position has been restricted at September 30, 2023 as follows:

| | Business-Type Activities | | | | | Total |
|--------------------|----------------------------|--------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| | City Electric | Rural Electric | Water | Waste Water | Other Enterprise | |
| Restricted for: | | | | | | |
| BVSWMA, Inc. | \$ - | \$ - | \$ - | \$ - | \$ 24,505,786 | \$ 24,505,786 |
| Debt Reserve | 2,824,100 | - | - | - | - | 2,824,100 |
| Debt Service | 2,885,000 | 426,250 | 1,600,903 | 1,391,000 | - | 6,303,153 |
| Rate Stabilization | 1,749,928 | - | - | - | - | 1,749,928 |
| Total | <u>\$ 7,459,028</u> | <u>\$ 426,250</u> | <u>\$ 1,600,903</u> | <u>\$ 1,391,000</u> | <u>\$ 24,505,786</u> | <u>\$ 35,382,967</u> |

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

9. RETIREMENT PLAN

Plan Description

The City of Bryan participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Title 8, Subtitle G, 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 does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. 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.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percentage had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Employees covered by benefit terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 723 |
| Inactive employees entitled to but not yet receiving benefits | 523 |
| Active employees | <u>902</u> |
| Total | 2,148 |

Contributions

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

Employees for the City of Bryan were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.18% and 8.85% in calendar years 2022 and 2023, respectively. The City opted to fund at a rate of 9.25% and 9.50%, respectively, which is over the actuarial determined required rate. The City's contributions to TMRS for the year ended September 30, 2023 were \$7,114,657, and were more to the required contributions by \$376,593.

Net Pension Asset

The City's Net Pension Asset (NPA) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the NPA was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.50% 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 were 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. For disabled annuitants, the same mortality tables for healthy retirees are used with

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

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 Annuity Purchase Rate (APRs) is 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. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

| | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|-------------------|---|
| Global Equity | 35.00% | 7.7% |
| Core Fixed Income | 6.00% | 4.9% |
| Non-Core Fixed Income | 20.00% | 8.7% |
| Other Public and Private Markets | 12.00% | 8.1% |
| Real Estate | 12.00% | 5.8% |
| Hedge Funds | 5.00% | 6.9% |
| Private Equity | 10.00% | 11.8% |
| Total | 100.00% | |

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%, and was unchanged from the prior year. 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.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Changes in the Net Pension Liability/(Asset)

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability/(asset) (a) - (b) |
|---|--------------------------------|------------------------------------|---|
| Balance at 12/31/2021 | \$ 412,715,314 | \$ 450,791,735 | \$ (38,076,421) |
| Changes for the year: | | | |
| Service Cost | 11,336,514 | - | 11,336,514 |
| Interest | 27,598,610 | - | 27,598,610 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | 5,049,014 | - | 5,049,014 |
| Contributions - employer | - | 6,538,898 | (6,538,898) |
| Contributions - employee | - | 4,947,357 | (4,947,357) |
| Net investment income | - | (32,955,033) | 32,955,033 |
| Benefit payments, including refunds of employee contributions | (19,030,550) | (19,030,550) | - |
| Administrative expense | - | (284,750) | 284,750 |
| Other changes | - | 339,792 | (339,792) |
| Net changes | <u>24,953,588</u> | <u>(40,444,287)</u> | <u>65,397,875</u> |
| Balance at 12/31/2022 | <u>\$ 437,668,902</u> | <u>\$ 410,347,448</u> | <u>\$ 27,321,454</u> |

Sensitivity of the net pension liability/(asset) to changes in the discount rate

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

| | 1% Decrease in Discount Rate 5.75% | Discount Rate 6.75% | 1% Increase in Discount Rate 7.75% |
|---|--|------------------------|--|
| City's Net Pension Liability/(Asset) \$ | \$ 90,376,730 | \$ 27,321,454 | \$ (24,293,902) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report, in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained on the at www.tmr.com.

Pension Expense and Deferred Outflows/Inflows of Resources related to Pensions

For the year ended September 30, 2023 the city recognized pension expense of \$13,810,486.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

At September 30, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$ 5,901,131 | \$ - |
| Changes in actuarial assumptions | 48,653 | - |
| Difference between projected and actual investment earnings | 29,622,619 | - |
| Contributions subsequent to the measurement date | 5,303,753 | - |
| Total | <u>\$ 40,876,156</u> | <u>\$ -</u> |

Deferred outflows of resources of \$5,303,753 related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | <u>Year Ended September 30</u> |
|-------|--------------------------------|
| 2024 | \$ 4,517,423 |
| 2025 | 9,146,156 |
| 2026 | 9,073,203 |
| 2027 | 12,835,621 |
| Total | <u>\$ 35,572,403</u> |

10. EMPLOYEE HEALTH BENEFITS

The City established the Employee Benefits Trust Fund effective October 1, 1986, covering health benefits for eligible employees. At that time the Council approved a formal trust agreement establishing the Fund. Employee premium costs are shared by the City and the employee, while dependent coverage is paid by the employee. The City's contract with its third party administrator and reinsurer sets an individual stop loss deductible in the amount of \$200,000 and a maximum claims liability of \$12,746,603 for the twelve month period which began January 1, 2023 and ends December 31, 2023. These stop loss levels apply to both medical and prescription drug coverage. Dental coverage is not included. There were no significant reductions in insurance coverage in the current year from coverage in the prior year. For the City's aggregate stop loss coverage, there have been no settlements that have exceeded insurance coverage for the past three calendar years. The City's insurance carrier has paid out \$492,391 for calendar year 2021, \$691,270 for calendar year 2022, and \$220,165 for calendar year 2023 to date in settlements that exceeded the deductible applicable to individual stop loss coverage.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

The following schedule represents the changes in claims liabilities for the year:

| | <u>FY 2023</u> | <u>FY 2022</u> |
|---------------------------------|---------------------|---------------------|
| Beginning balance unpaid claims | \$ 1,166,000 | \$ 1,309,415 |
| Incurred claims | 11,116,840 | 10,170,055 |
| Claim payments | <u>(11,223,840)</u> | <u>(10,313,470)</u> |
| Ending balance unpaid claims | <u>\$ 1,059,000</u> | <u>\$ 1,166,000</u> |
| | | |
| Amounts due in one year | \$ 1,059,000 | \$ 1,166,000 |

11. OTHER POST-EMPLOYMENT BENEFITS

Effective January 1, 1991, by action of the City Council, the City began offering post-retirement health care benefits to employees. Effective January 1, 1993, retiree spouses were granted eligibility for benefits. Dependents were granted eligibility effective January 1, 1994. This plan is a single employer defined benefit, other post-employment benefit plan. A separate, audited GAAP-basis post-employment benefit plan report is not available.

On February 28, 2017, the City established the City of Bryan Post-employment Benefits Trust (Trust). The Trust is a single employer irrevocable trust established by action of the City Council. This trust is held by Public Agency Retirement Services (PARS) who is the administrator of the plan. US Bank serves as the trustee.

To qualify for healthcare an employee must be at least 60 years of age and have five years of TMRS service credit or have at least 20 years of service credit. In order to be eligible, employees must elect to retire at time of separation, must elect in writing to continue health benefits coverage at the time of separation, and must pay the appropriate premium. Coverage can continue for life.

Employees terminating before normal retirement conditions are not eligible for retiree health coverage. Employees who retire under a disability retirement are not eligible for retiree health coverage.

Eligible retirees may continue health insurance benefits for eligible spouses and dependents covered at the time of retirement. A dependent not covered under the plan at this time is not eligible for coverage. If the retiree elects to continue coverage for any dependent and on any subsequent date elects to discontinue coverage, the dependent is no longer eligible for coverage.

Survivors of employees who die while actively employed are not eligible for retiree health coverage. However, surviving spouses and dependents of Texas public officers (as defined by Texas Government Code, Chapter 615) killed in the line of duty are entitled to purchase continued health insurance benefits. The surviving spouse is entitled to continue to purchase health insurance coverage until the date the surviving spouse becomes eligible for federal Medicare benefits. Surviving dependent minor children are entitled to continue health insurance coverage until the dependent reaches the age of 18 years or a later date to the extent required by state or federal law. A surviving dependent who is not a minor child is entitled to continue health insurance coverage until the earlier of: (1) the date the

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

dependent becomes eligible for group health insurance through another employer or (2) the date the dependent becomes eligible for federal Medicare benefits. Eligible survivors are entitled to purchase the continued coverage at the group rate for that coverage that exists at the time of payment.

Surviving covered spouses and dependents of deceased retired employees may continue health care coverage for up to 36 months through COBRA.

Once the retiree or spouse is enrolled in Medicare, the City's plan becomes the secondary payer. The retiree is responsible for payment of any Medicare premiums. The City does not provide any cash payment in lieu of electing the City's health care plan. Retirees who do not elect to continue coverage at time of separation are not eligible to opt back in.

The City does not offer life insurance coverage for retirees or their dependents. Employees who retire are eligible to convert their group life insurance coverage to a Whole Life Policy without accidental death and dismemberment until the employee reaches age 100 or a Group Term Life with AD&D until the employee reaches age 70.

The City's health care plan includes medical, dental, and prescription coverage. Retiree health plan coverage is the same as coverage provided to active City employees in accordance with the terms and conditions of the current City of Bryan Health Plan. The City also offers a fully insured optional vision plan that retirees and their dependents may purchase. The City Council reserves the right to modify premium amounts, to modify eligibility requirements and to modify or discontinue retiree health benefits.

In the year ended September 30, 2023, retirees paid \$623,817 in premiums and \$2,177,420 in claims and premiums were paid for post-retirement health care and administrative charges. As of September 30, 2023, the City has 78 retirees and 68 dependents participating in the plan.

The City also provides health benefits as required by the Federal Government under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). COBRA requires employers that sponsor group health plans to provide continuation of group coverage to employees and their dependents under certain circumstances where coverage would otherwise end. Terminated employees who qualify under COBRA pay premium costs for themselves and dependents.

COBRA participants are reimbursed at the same levels as active employees. Participants paid premiums of \$9,239 and incurred claims and administrative expenses of \$11,933 during the year ended September 30, 2023. As of September 30, 2023, the City has no COBRA participants.

Future year estimated claims for all health plan participants are actuarially determined by the reinsurer. All assets of the Employee Benefits Trust Fund are available for future claim payments for health plan participants.

Prior to January 1, 2010, all retirees electing health plan coverage received a health premium subsidy averaging 40%. Beginning January 1, 2010, the City implemented new eligibility requirements for subsidized retiree premiums. The new eligibility requirements require retirees to meet the 'Rule of 80' (sum of age plus years of service at retirement must equal at least 80), in order to receive the

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

subsidized retiree premium. Retirees not meeting the 'Rule of 80' may still elect the City's retiree health plan coverage, but will not receive a subsidy.

Funding Policy and Annual OPEB Cost

During FY 2017, the City Council adopted a funding policy for the City's OPEB liability. During FY 2023 \$500,000 was contributed to the Trust. The long term policy of the City is to contribute \$500,000 every year until the liability is fully funded, subject to annual appropriations and availability of funds.

The following is a summary of the employees covered by the Plan at December 31, 2022 (the measurement date):

| | |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 76 |
| Inactive plan members entitled but not yet receiving benefits | 0 |
| Active plan members | <u>893</u> |
| Total plan members | 969 |

Contributions to the Plan

For the year ended September 30, 2023, the City's contribution rate was \$1,306,797, or 1.73% of covered-employee payroll. (See the Required Supplementary section of this report for more information on contributions to the Plan). Employees are not required to contribute to the plan.

Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2022 (the measurement date), and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. As of the measurement date the total OPEB liability was \$21,777,277 and the net OPEB liability (net of plan fiduciary net position of \$3,293,848) was \$18,483,429.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

The total OPEB liability, and the Actuarial Determined Contribution (ADC) at the measurement date were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------------|---|
| Actuarial Cost Method | Individual Entry-Age Normal |
| Amortization Method | Level percentage of payroll |
| Amortization Period | Closed, 25 years as of September 30, 2023 |
| Asset Valuation | Market Value |
| Investment Rate of Return | 6.25%, net of investment expenses, including inflation |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50%, including inflation |
| Payroll Growth | 1.50% |
| Demographic Assumptions | Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS). |
| Mortality | For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements. |
| Health Care Cost Trend Rates | Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years |
| Participation Rates | <u>Rule of 80</u> : 60% of pre-65 retirees and 6% of post-65 retirees; 90% of retirees are assumed to lapse coverage at age 65. <u>Under Rule of 80</u> : 10% pre-65 and 0% post-65 |

The actuarial assumptions used at the measurement date valuation were based on the results of an actuarial experience study performed as of December 31, 2018 and a measurement date of December 31, 2022.

For the purposes of the valuation performed as of December 31, 2022, the expected rate of return on OPEB portfolio investments is 6.25% (see the table above). Based on the most recent expected rate of return from the City's Investment Manager for the OPEB Trust (Highmark Capital) of 6.18%, management, in consultation with the City's actuary (GRS Consulting), has taken a conservative approach in assuming a rate of return on Trust assets resulting in a Single Discount Rate of 6.25%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal or in excess of the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return | Allocation-weighted Long-term Expected Real Rate of Return |
|--|-------------------|--|--|
| Domestic Equity - Large Cap | 26.50% | 7.70% | 2.04% |
| Domestic Equity - Mid Cap | 5.00% | 8.00% | 0.40% |
| Domestic Equity - Small Cap | 7.50% | 8.50% | 0.64% |
| Equity - International | 6.00% | 7.50% | 0.45% |
| Equity - Emerging | 3.25% | 7.50% | 0.24% |
| US Corporate Bonds - Short-Term | 10.00% | 3.30% | 0.33% |
| US Corporate Bonds - Intermediate-Term | 33.50% | 4.00% | 1.34% |
| US Corporate Bonds - High Yield | 1.50% | 5.70% | 0.09% |
| US Treasuries (Cash Equivalents) | 5.00% | 2.60% | 0.13% |
| Real Estate | 1.75% | 6.60% | 0.12% |
| Total | 100.00% | | 5.77% |
| Expected Inflation | | | 0.41% |
| Total Return | | | 6.18% |
| Total Return, rounded | | | 6.18% |

Changes in the Net OPEB Liability

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|---|----------------------|-----------------------------|----------------------|
| Beginning Balance at 12/31/2021 | \$ 20,868,668 | \$ 3,302,204 | \$ 17,566,464 |
| Service cost | 648,479 | - | 648,479 |
| Interest on the total OPEB liability | 1,301,949 | - | 1,301,949 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual experience | (318,378) | - | (318,378) |
| Changes of assumptions | - | - | - |
| Employer contributions | - | 1,223,441 | (1,223,441) |
| Net investment income (loss) | - | (489,775) | 489,775 |
| Benefits payments | (723,441) | (723,441) | - |
| Administrative expense | - | (18,581) | 18,581 |
| Other | - | - | - |
| Net changes | 908,609 | (8,356) | 916,965 |
| Ending Balance at 12/31/2022 | \$ 21,777,277 | \$ 3,293,848 | \$ 18,483,429 |

Plan Fiduciary Net Position as a Percentage of Total OPEB Liability 15.82%

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

The following shows the sensitivity of the net OPEB liability to a 1.0% increase and a 1.0% decrease in the discount rate assumption:

| | 1.0% Decrease | Discount Rate | 1.0% Increase |
|--------------------|---------------|---------------|---------------|
| | 5.25% | 6.25% | 7.25% |
| Net OPEB Liability | \$ 20,908,461 | \$ 18,483,429 | \$ 16,383,049 |

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following shows the sensitivity of the net OPEB liability to a 1.0% increase and a 1.0% decrease in the healthcare cost trend rate assumption:

| | 1.0% Decrease | Current Rate Assumption | 1.0% Increase |
|--------------------|------------------|----------------------------|------------------|
| Net OPEB Liability | \$ 15,866,190 | \$ 18,483,429 | \$ 21,646,982 |

OPEB Expense and Deferred Outflows of Resources

For the year ended September 30, 2023, the City recognized OPEB expense of \$2,088,318. At September 30, 2023, the City reported deferred outflows of resources related to OPEB from the following sources and in the following amounts:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 2,915,102 | \$ 282,396 |
| Changes in actuarial assumptions | - | 1,029,778 |
| Difference between projected and actual investment earnings | 431,001 | - |
| Contributions subsequent to the measurement date | 1,075,677 | - |
| | <u>\$ 4,421,780</u> | <u>\$ 1,312,174</u> |

The \$1,075,677 reported as deferred outflows of resources related to OPEB resulting from contributions made after the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2024. Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending September 30</u> | <u>Net Deferred Outflows (Inflows)</u> |
|-------------------------------------|--|
| 2024 | \$ 319,851 |
| 2025 | 346,712 |
| 2026 | 370,632 |
| 2027 | 382,538 |
| 2028 | 232,261 |
| Thereafter | 381,935 |
| Total | <u>\$ 2,033,929</u> |

See page 48 for the statement of fiduciary net position for the OPEB Trust Fund.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, as amended, is available to all employees, and permits them to defer a portion of their salary until future years. The plan funds are not available to employees until termination, retirement, death, or emergency.

All amounts of compensation deferred under the plan (until paid or made available to the employee or other beneficiary) were placed in trust for the exclusive benefit of the participants and the beneficiaries. This is in accordance with changes made to Section 457 of the Internal Revenue Code. Since the City is no longer the Plan Administrator or the trustee, the assets of the Plan are no longer a reportable fund in the City's basic financial statements.

Similar to the Section 457, the City of Bryan offered its employees the Retiree Health Savings (RHS) Plan. The plan allowed employees to make pre-tax contributions from their salary or accrued leave time to fund medical expenses for employees and their family on a tax-free basis during retirement. Once an employee elected to participate, this cannot ever be changed or revoked unless there is employment separation.

Like the Section 457, all amounts of compensation deferred under the plan (until paid or made available to the employee or other beneficiary) were placed in trust for the exclusive benefit of the participants and the beneficiaries. The City is not the Plan Administrator or the trustee; therefore, the assets of the Plan are not a reportable fund in the City's basic financial statements.

13. TEXAS MUNICIPAL POWER AGENCY

The Texas Municipal Power Agency ("TMPA") was created in July 1975 by concurrent ordinances of the Texas cities of Bryan, Denton, Garland, and Greenville ("Member Cities") pursuant to Acts 1995 64th Leg. Ch. 143, sec 1 (the "Act"). Under the provisions of the Act, TMPA is a separate municipal corporation. TMPA is exempt from federal income tax under section 115 of the Internal Revenue Code.

Until September 18, 2018, TMPA operated the Gibbons Creek power plant, a coal-fired generating plant located in Grimes County, Texas with a net generating capability of 470 megawatts. The plant began commercial operation on October 1, 1983. On June 6, 2019, the TMPA Board of Directors voted to permanently retire the plant. The plant was decommissioned and retired in FY 2022, but TMPA continues to own and operate approximately 350 circuit miles of transmission lines and 14 substations within ERCOT.

TMPA is governed by a Board of Directors made up of two representatives from each Member City and is empowered to plan, finance, acquire, construct, own, operate and maintain facilities to be used in the business of generation, transmission and sale of electric energy to each Member City. Each of the Member Cities entered into separate but identical Power Sales Contracts with TMPA (as amended, the "TMPA Agreements"). For more than 40 years, the TMPA Agreement governed the relationship between, and the rights and obligations of, TMPA and each of the Member Cities with respect to, among other items, generation, including Gibbons Creek, transmission and sale of electric energy to

City of Bryan, Texas

Notes to the Financial Statements

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each Member City. Under the terms of the TMPA Agreement, each of the Member Cities was unconditionally obligated to pay to TMPA, without offset or counterclaim and without regard to whether energy was delivered by TMPA to the Member Cities, its percentage of TMPA's Annual System Cost as defined in the TMPA Agreement, including the payment of TMPA's debt service requirements and operating and maintenance expenses in the following percentages: City of Bryan – 21.7%; City of Denton – 21.3%; City of Garland – 47.0% and City of Greenville – 10.0%. On September 1, 2018 TMPA made the final debt service payment on TMPA's generation debt which extinguished the Member City's unconditional obligation with respect to such TMPA debt. The TMPA Agreement has expired by its terms and none of the Member Cities elected to extend the TMPA Agreement beyond September 30, 2018.

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement ("JOA"). In general, the purposes of the JOA include: (i) funding TMPA operations such as mine reclamation, transmission service, and plant decommissioning following expiration of the Power Sales Contract ("PSC") (ii) subject to certain exceptions, requiring Member City approval for the issuance of new debt, the execution of certain significant contracts, and the sale of property exceeding \$10 million in value (iii) specifying provisions for determining how costs of TMPA and proceeds from the sale of assets are to be allocated among the Member Cities (iv) providing for the establishment by TMPA of reserve funds for the decommissioning of the plant and the indemnification of TMPA Board Members and Member City officials, employees, contractors, and agents and (v) dividing the operations of TMPA into three business functions-mine, generation, and transmission-and requiring separate budgets and books for each business function.

The PSC provided that upon dissolution of TMPA, the assets of TMPA will automatically be transferred to the Member Cities, with each Member City receiving an undivided interest in the assets of TMPA in proportion to the amount paid by the Member City to TMPA. The JOA, for purposes of implementing the automatic transfer of assets upon dissolution of TMPA, requires TMPA to periodically make this calculation for each business unit, and sets out formulas for making these calculations. Under the JOA, these ownership calculations are relevant not only to the allocation of assets upon dissolution of TMPA, but also to the allocation of certain proceeds from the sale of assets, and in some cases, the allocation of TMPA costs.

If requested by a majority of the Member Cities, TMPA is required by the JOA to transfer a divided interest in the transmission system to each Member City. Under this partition process, the objective is for each City to receive ownership of transmission facilities in the vicinity of the Member City, and in proportion to the Member City's ownership interest in the transmission business. Any such transfer of transmission assets must be in compliance with relevant bond covenants, including those requiring defeasance of all or a portion of transmission debt.

The JOA includes a reclamation plan for the mine, requires the development of a decommissioning plan, and sets out standards for environmental remediation. TMPA is required to comply with these plans and standards.

Under the JOA, in discharging its contractual obligations, including mine reclamation, decommissioning, transmission service, environmental remediation, indemnification, and other obligations, TMPA is rendering services to the Member Cities. The JOA obligates each Member City to

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

pay the cost of these services, and to collect rates and charges for electric service sufficient to enable it to pay to TMPA all amounts due under the JOA for these services. A Member City's payment obligations under the JOA are payable exclusively from such electric utility revenues and constitute an operating expense of its electric system.

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until the dissolution of TMPA.

Gibbons Creek power plant's operational status with ERCOT transitioned to: Seasonal Operations, effective September 26, 2017 (operated from May 21, 2018 through September 18, 2018); Reserve Shutdown, effective October 1, 2018; and Indefinite Mothball, effective June 1, 2019. On June 28, 2019, a notification to ERCOT was made to remove Gibbons Creek from the ERCOT system, effective October 23, 2019. The unit was actually removed from the ERCOT system on October 30, 2019. Due to the significant decline in the service utility of the generation assets, such assets were largely impaired as of September 30, 2017, with a final impairment on September 30, 2018. Effective September 1, 2018, the only debt remaining at TMPA is Transmission Debt.

In 2016 and 2017, TMPA issued requests for proposals ("RFPs") regarding the proposed sale of Gibbons Creek power plant and certain transmission assets. Proposals received in connection with the 2016 and 2017 RFP's were pursued, but negotiations were ultimately discontinued.

In 2019, TMPA issued a request for proposal (RFP) involving the sale of generation assets. In 2019 and throughout 2020, TMPA was in negotiations regarding the proposal from Gibbons Creek Environmental Redevelopment Group, LLC ("GCERG"). In December 2020, TMPA and GCERG came to an agreement on terms for the sale of the Gibbons Creek Steam Electric Station and the assumption of all environmental liabilities. At that time the TMPA Board authorized the TMPA General Manager to take the necessary steps to complete the transaction. During January, 2021 the governing bodies of the four member cities approved the sale and the finalization of closure related documents.

On February 10, 2021, TMPA's Gibbons Creek power plant was sold to GCERG. BTU removed the decommissioning/environmental remediation liability and the associated regulatory asset as of that date. Additionally, BTU established a regulatory asset in the amount of \$7,842,767 associated with the power plant sale on February 10, 2021. The regulatory asset will be amortized in future periods when their costs are included in electric rates.

Subsequently, TMPA sold the mine land at the former Gibbons Creek power plant during December 2021. BTU received \$15,025,532 of proceeds from the sale on December 23, 2021, of which \$10,713,204 was attributed to the City System and \$4,312,328 was attributed to the Rural System.

During the year ended September 30, 2023, the City Electric System paid TMPA \$1,066,603 for power purchases and related activity under the contract. As of September 30, 2023, the City Electric System had nothing payable to TMPA.

At September 30, 2023, BTU's portion of outstanding TMPA bonds and note purchase agreement was approximately \$45.5 million.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

TMPA's Annual Financial Report for the year ended September 30, 2023 reported the following:

| | <u>FY 2023</u> |
|---|------------------------|
| Total Assets | \$ 210,205,000 |
| Total Liabilities | 229,895,000 |
| Total Deferred Inflows of Resources | <u>5,516,000</u> |
| Total Net Position | <u>\$ (25,206,000)</u> |
| Change in Net Position for year ended September 30, 2023 | \$ (1,224,000) |

TMPA's audited financial statements may be obtained by writing TMPA, P.O. Box 7000, Bryan, TX 77805.

14. BRAZOS VALLEY SOLID WASTE MANAGEMENT AGENCY

In 2010, the City Councils of Bryan and College Station approved, through an interlocal agreement, the creation of a local government corporation, BVSWMMA, Inc., which currently owns and manages landfill operations for both Cities. The expectation was that a combined landfill operation will minimize solid waste management costs for both Cities. BVSWMMA, Inc. superseded a previous agreement established in 1990 which combined landfill operations under the then newly created Brazos Valley Solid Waste Management Agency (BVSWMMA). The powers of BVSWMMA, Inc. are vested in a seven member Board of Directors, consisting of appointees from each City Council.

The bylaws for BVSWMMA, Inc., establish powers that include the issuance of debt, acquisition of land and equipment, the hiring of a general manager and staff to maintain and operate the facilities and the establishment of tipping fees. BVSWMMA, Inc., revenues are derived from tipping fees paid by landfill customers that include the Cities of Bryan and College Station, other unaffiliated businesses and the general public.

BVSWMMA, Inc. owns two landfill sites. The initial landfill site known as Rock Prairie Landfill, located in College Station, was closed in 2011 as it reached operating capacity. The Twin Oaks Landfill, located in Grimes County, was opened in 2011 and has an expected capacity of over 50 years.

In 2010, the City issued \$5,145,000 in Certificates of Obligation, Series 2010 to finance the construction of the Twin Oaks Landfill site. BVSWMMA has agreed to pay the City an amount equal to the future debt service requirements of these certificates of obligation. In April 2020, the City refunded the Series 2010 with the Series 2020 refunding bonds. The savings from refunding were passed through to BVSWMMA. At September 30, 2023, the City reported a receivable in the amount of \$1,881,413 of which \$310,000 is due and payable to the City within one year.

The City of Bryan and the City of College Station each recognize a 50% ownership in BVSWMMA, Inc. The City of Bryan's 50% ownership is reflected in the Solid Waste Fund.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

BVSWMA's audited annual financial statements for the year ended September 30, 2023 reported the following:

| | <u>FY 2023</u> |
|---|----------------------|
| Total Assets | \$ 60,375,988 |
| Total Liabilities | 11,230,314 |
| Total Deferred Inflow of Resources | <u>134,103</u> |
| Total Net Position | <u>\$ 49,011,571</u> |
| Change in net position for the year ended September 30, 2023 | \$ 2,560,831 |
| Bryan's undivided 50% share of changes in net position for the year ended September 30, 2023 | \$ 1,280,415 |

Audited financial statements for BVSWMA, Inc. may be obtained by writing BVSWMA, Inc., 2690 Hwy. 30, Anderson, TX 77830

15. INTERFUND BALANCES

Interfund receivable and payable balances at September 30, 2023 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---------------------------|------------------------|----------------------|
| General | City Electric | \$ 341,021 |
| | Nonmajor governmental | 360,617 |
| Nonmajor governmental | City Electric | 149,568 |
| City Electric | Rural Electric | 776,735 |
| Internal Service | General | 380,291 |
| | Nonmajor governmental | 35,511 |
| Water | City Electric | 611,393 |
| Wastewater | City Electric | 374,683 |
| Nonmajor enterprise funds | City Electric | 201,157 |
| Total | | <u>\$ 3,230,977</u> |
| <u>Interfund Advance</u> | <u>Payable Fund</u> | <u>Amount</u> |
| Debt Service Fund | City Electric | \$ 13,474,466 |
| | Water | 1,581,826 |
| | Wastewater | 1,906,458 |
| | Nonmajor Enterprise | 1,924,752 |
| | Internal Service Funds | <u>493,811</u> |
| | | <u>\$ 19,381,313</u> |

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Interfund receivable and payable balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur. Transactions are recorded in the accounting system and payments between funds are made. The interfund balances presented agree with the sum of interfund balances in the balance sheet for governmental funds and statement of net position for proprietary funds.

Interfund advances represent amounts owed between funds for the establishment of pension obligation bonds.

16. INTERFUND TRANSFERS

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

| Transfers In | Transfers Out | | | | | | Total | |
|-----------------------------|----------------------|-----------------------------|----------------------|-------------------|-------------------|---------------------------|-------------------|------------------------|
| | General Fund | Nonmajor Governmental Funds | City Electric Fund | Water Fund | Wastewater Fund | Nonmajor Enterprise Funds | | Internal Service Funds |
| General Fund | \$ - | \$ 3,100,000 | \$ 14,918,481 | \$ 783,377 | \$ 692,173 | \$ 421,329 | \$ - | \$ 19,915,360 |
| Debt Service | 95,610 | 2,026,330 | 300,313 | 35,255 | 42,490 | 42,898 | 11,006 | 2,553,902 |
| Nonmajor Governmental Funds | 5,738,144 | 1,907,000 | - | - | - | - | - | 7,645,144 |
| Water Fund | 496,882 | - | - | 61,987 | - | 20,648 | - | 579,517 |
| Wastewater Fund | 90,272 | - | - | - | - | 24,516 | - | 114,788 |
| Nonmajor Enterprise Funds | 10,538,091 | - | - | 21,934 | 3,432 | - | - | 10,563,457 |
| Internal Service Funds | 141,341 | - | - | 56,536 | 59,106 | - | 100,000 | 356,983 |
| Total transfers out | <u>\$ 17,100,340</u> | <u>\$ 7,033,330</u> | <u>\$ 15,218,794</u> | <u>\$ 959,089</u> | <u>\$ 797,201</u> | <u>\$ 509,391</u> | <u>\$ 111,006</u> | <u>\$ 41,729,151</u> |

Transfers are primarily used to move funds from:

- The proprietary funds to the General Fund for use of City owned rights-of-way and as payments in lieu of property taxes
- The transfers to the Debt Service Fund as payments in for debt service payments as they become due and payments towards the interfund advance
- The transfers from the General Fund as payments in for associated costs

The sum of all transfers presented agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

17. ADMINISTRATIVE ALLOCATIONS TO OTHER FUNDS

The General Fund provides general and administrative support services to the City Electric Fund, Rural Electric Fund, Water Fund, Wastewater Fund, Solid Waste Fund, Insurance Fund, Special Projects Fund, Employee Benefits Fund, Bryan Commerce and Development Fund, and Coulter Airfield Fund. Costs of these services are allocated as follows:

| | <u>General Fund</u> |
|---|---------------------|
| <u>Administrative costs allocated to:</u> | |
| City and Rural Electric Fund | \$ 3,795,073 |
| Water Fund | 571,897 |
| Wastewater Fund | 609,378 |
| Nonmajor Enterprise Fund (Solid Waste Fund) | 635,768 |
| Internal Service Fund (Insurance Fund) | 231,883 |
| Street Improvement | 57,161 |
| Drainage Fund | 111,866 |
| Employee Benefits Fund | 206,704 |
| Warehouse Fund | 53,784 |
| Bryan Commerce & Development | 66,757 |
| Coulter Airfield Fund | 142,528 |
| | <u>\$ 6,482,799</u> |

18. LITIGATION MATTERS

There are currently fourteen litigation matters in which the City is involved. In three of these matters, in the event of an unfavorable outcome in the lawsuit, the City would be covered by insurance and the financial statements of the City would not be materially affected. In three of these matters, there appears to be a low likelihood that the City would be exposed to significant damages and in the event of an unfavorable outcome in the lawsuits the financial statements of the City would not be materially affected. Three of these matters are administrative appeals and the financial statements of the City would not be materially affected in the event of an unfavorable outcome. Three of the matters relate to the City acquiring property interests and would resolve the amount of compensation the City would pay in exchange for the interests. Two matters involve the City or its local government corporation, BCD, asserting a claim against another party. Subject to following comment regarding The Turner Lawsuit, in all other claims asserted against the City, in the event of an unfavorable outcome in the lawsuits the financial statements of the City would not be materially affected.

On April 26, 2021, Randy Turner and many other plaintiffs filed a lawsuit (“The Turner Lawsuit” or the “lawsuit”) against several hundred defendants, including the City Electric System, in state district court. The lawsuit alleges numerous causes of action regarding personal injuries and alleged property damage arising from the 2021 Winter Weather Event. The Turner Lawsuit has been transferred to a multi-district litigation (MDL) pre-trial court, where over 150 other similar lawsuits have been transferred. In January 2022, the plaintiffs in the MDL amended their petitions to add most of the existing defendants to most of the existing lawsuits pending in the MDL, such that the City Electric System is now named as a defendant in a total of 104 lawsuits pending in the MDL. The amended

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

petitions in which BTU is named are very similar in allegations and causes of action alleged, including The Turner Lawsuit. The City Electric System denies any wrongdoing, denies any liability for the alleged injuries or damages, and intends to vigorously defend itself against the claims.

As of the date of this report, management, in consultation with counsel, have determined that we do not believe any potential loss is estimable and as such have not determined that a liability to the City Electric System or the City exists. We currently are not in a position to comment on the potential outcome, likelihood of result, estimate of any potential loss, or whether any such loss would be material.

19. RISK MANAGEMENT

In fiscal year 1989, the City decided not to purchase commercial liability insurance. At that time, City management believed that it was more economical to manage liability risks internally and set aside assets for the payment of claims in an internal service fund. The "Insurance Fund" was established to service all claims for risk of losses relating to general liability and workers' compensation.

In fiscal year 2022, the City moved its liability insurance program to the Texas Municipal League Intergovernmental Risk Pool (TMLIRP). TMLIRP coverage provides a \$2,000,000 limit per occurrence/\$6,000,000 aggregate limit for general liability with a \$500,000 deductible for claims. This coverage became effective October 1, 2022. Liability insurance providing a \$3,000,000 limit per occurrence/\$6,000,000 aggregate limit for police liability, and \$2,000,000 limit per occurrence/\$4,000,000 aggregate limit for public officials, and employment practices, with a \$500,000 deductible was purchased with coverage effective October 1, 2022. Auto liability insurance providing a \$3,000,000 limit for each occurrence with a \$500,000 deductible was purchased with coverage effective October 1, 2022. Worker's compensation coverage is provided at Texas Statutory limits with \$1,000,000 retention. There have been no settlements that have exceeded insurance coverage for each of the past three fiscal years.

All funds of the City participate in the Insurance Fund. The costs of providing claims servicing and claims payment are allocated by charging each fund a "premium" based upon a percentage of the respective fund's estimated current-year payroll and expenses and management's estimate of projected current costs. These charges consider exposure and recent trends in actual claims experience of the City as a whole and make provision for catastrophic losses.

The Insurance Fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The City has recorded a potential liability in the amount of \$1,349,929 for claims that have been incurred but not reported as of September 30, 2023. Because actual claims liabilities depend on such complex factors as changes in legal doctrines and damage awards, the process used in computing liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

The schedule below represents the changes in estimated claims liabilities:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Unpaid claims at beginning of fiscal year | \$1,249,961 | \$ 1,161,647 |
| Change in unpaid claims | 898,182 | 831,347 |
| Claim payments | <u>(528,228)</u> | <u>(743,033)</u> |
| Total unpaid claims at end of fiscal year | <u>\$ 1,619,915</u> | <u>\$ 1,249,961</u> |
| Amounts due in one year | \$ 531,926 | \$ 545,278 |

Texas law limits recovery, under legislatively defined governmental functions, to \$500,000 per occurrence. Claims proceeding from proprietary functions are not limited.

20. COMMITMENTS AND CONTINGENCIES

Traditions Development

In 1999, the City embarked on a major development program for the City's west side encompassing approximately 850 acres. The City identified the land for possible development, located in Brazos County east of Highway 47 and south of Villa Maria Road. The City believed that a public interest would be served by purchasing this land and that economic development would be stimulated by developing this land into a first class resort, golf course, and planned community known as the Bryan Resort Project (subsequently known as the Traditions Development).

As a result, the City and Jordan Community Properties, L.P. entered into a Master Economic Development Agreement ("MEDA") in 1999. One of the provisions of the MEDA was for the City to create a local government corporation to aid the City in completion of certain provisions in the MEDA. The local government corporation created was Bryan Commerce and Development, Incorporated ("BCDI"). BCDI purchased the land, identified by the City, for development. The City agreed to provide public infrastructure improvements including all major arterial streets, all major utilities including electrical, gas, water, sewer, telephone, cable, drainage structures, water delivery systems, street lighting, landscaping of median entryways, all signage for the project, traffic signals, entryway structures, and lighting necessary for the project.

The partnership between BCDI and Jordan Community Properties, L.P. was named Bryan/Jordan L.P. (subsequently known as Bryan/Traditions, L.P.). Bryan/Jordan L.P. was formed as a limited partnership, in 2000, under the laws of the State of Texas. The partners in Bryan/Jordan L.P. were CFJ Properties, Inc., a Texas corporation and the general partner, BCDI, a Texas local government corporation, a limited partner, and Jordan Community Properties, L.P., a Texas limited partnership and a limited partner. The partnership interest was as follows: 1%, 55% and 44% for Jordan Properties, Inc. or an affiliate thereof, Jordan L.P. and BCDI, respectively.

The purpose of Bryan/Jordan L.P. was to develop a portion of the land, purchased by BCDI, into a planned community, including a residential community and a commercial development. This community would become known as Traditions. In order for Bryan/Jordan L.P. to develop the land,

City of Bryan, Texas

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For the Fiscal Year Ended September 30, 2023

BCDI would periodically contribute portions of the land, as a partnership contribution, to Bryan/Jordan, L.P. by a special warranty deed.

Several changes to the original partnership agreement have taken place since 2000. The following is a history of the changes that have occurred.

In 2004, the partnership agreement was amended to reflect the change in names of certain partners. CFJ Properties, Inc. was now known as Rosemel Properties, Inc. and Jordan Community Properties, L.P. was now known as Melrose Community Properties, L.P. In addition, the name of the partnership was changed from Bryan/Jordan, L.P. to Bryan/Traditions, L.P.

In 2009, the partnership agreement was amended and restated (“Amendment”) to reflect certain changes. Traditions Acquisition Partnership, GP, LLC, a Texas limited liability company, acquired the general partnership interest originally owned by CFJ Properties, Inc. and subsequently known as Rosemel Properties, Inc. Traditions Acquisition Partnership GP, a Texas limited partnership, acquired the limited partnership interest originally owned by Jordan Community Properties, Inc. subsequently known as Melrose Community Properties, L.P. Concurrent with the Amendment, Traditions Acquisition Partnership, L.P. agreed to acquire a group of loans payable from Bryan/Traditions, L.P. and payable to M&I Bank, relating to the Melrose entities, with a balance at the closing date of \$1,840,432. Traditions Acquisition Partnership, L.P. executed a release that released the guarantors from their respective obligations for the loan from M&I Bank to Bryan/Traditions, L.P. In consideration for Traditions Acquisition Partnership, L.P.’s contribution, the Amendment specified the deeding of 34 existing lots, within the Traditions Development, from Bryan/Traditions, L.P. to Traditions Acquisition Partnership.

Other special provisions of the Amendment provided that:

- BCDI agreed to provide funding for the construction of a future bridge, roadways or other infrastructure as future development occurs.
- Upon Traditions Acquisition Partnership’s completion of a club house to certain specifications, additional provisions were activated.

Traditions Acquisition Partnership completed the club house as specified in the Agreement on March 1, 2011. The subsequent provisions included that Traditions Acquisition Partnership is entitled to receive the first \$150,000 of the net sales proceeds of each of the next 20 lots developed by Bryan/Traditions, L.P., and additionally, that Traditions Acquisition Partnership has the option to purchase 50 acres of BCDI land known as Parcel 35 for \$1. If they choose to exercise the option to purchase Parcel 35, they forgo a number of construction commitments by the City.

Prior to FY 2017, Traditions Acquisition Partnership had received proceeds for all 20 of the committed 20 lots from which the partnership is entitled to receive the first \$150,000 of net sales proceeds, thereby fulfilling that obligation under the Amendment. Also in 2016, Traditions Acquisition Partnership exercised its option to purchase Parcel 35 for \$1, eliminating the City’s future obligations for a bridge, roadways and other infrastructure under the Amendment.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Except as noted above, the partnership interest is: 1%, 55% and 44% for Traditions Acquisition Partnership, GP, LLC, Traditions Acquisition Partnership GP and BCDI, respectively, on lot sales and 25% and 75% for Traditions Acquisition Partnership GP and BCDI, respectively, on larger parcel sales. In 2000, the City approved an Ordinance creating Tax Increment Reinvestment Zone Ten (“TIRZ Ten”). TIRZ Ten, which includes most of the Traditions Development, funds public infrastructure improvements as further described in Note 25.

The Traditions Development currently includes a Jack Nicklaus designed golf course, an 800 acre high-end housing development and the new Atlas/Lake Walk development. At September 30, 2023, BCDI holds approximately 168 acres under the Agreement that remain to be developed. The Partnership is expected to stay operational until all Partnership property is sold. There is no debt outstanding related to land held by BCDI in the Traditions development. The City anticipates that the proceeds from BCDI’s portion of future land sales will exceed the cost of future City infrastructure required by the Traditions Development.

Through September 30, 2023, the City of Bryan has invested \$41.7 million towards land, infrastructure and operating costs in the Traditions development. Funding sources include TIRZ Ten tax revenues, Traditions land sales, Water and Wastewater funds, the General fund and Special Projects funds.

In November 2020, the City of Bryan and Bryan Commerce and Development purchased the former Nutrabolt campus for the development of the new Lake Walk Innovation Center, now referred to as Design Spark Innovation Center. The Innovation Center is comprised of a collection of companies that occupy the 27,000 square foot office building portion of the former Nutrabolt campus, all aligned with a single vision. It is organized and funded by a group of individuals and companies who desire to foster meaningful innovation in this region and support Texas A&M. Individually and collectively, they invest in locating and nurturing startup and early stage companies that will be moved to The Lake Walk Innovation Center with the express purpose of growing them to the point where they can successfully operate on their own in the Brazos Valley. The acquisition of the former Nutrabolt campus was via a combination of third-party bank debt, secured by real estate and tax revenues for the City of Bryan, and an equity investment by BCD of \$2,760,000 plus closing costs and fees. Additional capital and operating reserves are funded by BCD and Traditions Acquisition Partnership, LP via a Chapter 380 Economic Development Agreement.

In October 2022, Bryan Commerce and Develop purchased a portion of the 55% limited partnership interest in Bryan/Traditions. In addition, five (5) key tracts on both Turkey Creek and Raymond Stotzer Parkway were acquired. The transaction included (i) the formation of a new entity, Bryan/Traditions Residential, (ii) the purchase by Bryan Commerce and Development (BCD) of tracts or parcels of commercial real property currently owned in fee by Traditions Acquisition Partnership (TAP) (iii) the amendment to the terms and conditions of the Memorandum of Master Economic Development Agreement (MEDA) and Memorandum of Traditions Development Agreement (TDA) to address the creation of Bryan/Traditions Residential and to include the tracts or parcels of commercial real property owned in fee by BCD, and (iv) the acquisition by William Cole (WC) and BCD of TAP’s fifty-five percent (55.00%) limited partnership interest in Bryan/Traditions and consented to the acquisition by William Cole of the TAP General Partnership interest. This was a \$4.8 million expenditure.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

City of Bryan and Brazos County Economic Development Foundation Inc.

In 2009, the City of Bryan and Brazos County entered into an agreement to create the City of Bryan and Brazos County Economic Development Foundation Inc. ("BBCEDF"), a local government corporation formed under Subchapter D of Chapter 431 of the Texas Transportation Code. The BBCEDF was created to promote, develop, encourage and maintain employment, commerce, and economic development in the City and the County. In 2009, the BBCEDF purchased 191 acres of land in north Brazos County to be developed as a business park. Also in 2009, the BBCEDF entered into an option agreement that gave BBCEDF the right to purchase up to 724 adjacent acres. In fiscal year 2016, BBCEDF exercised the option to purchase 709 acres under the option agreement. In fiscal year 2017, BBCEDF purchased an adjacent 119 acres. In fiscal year 2023, BBCEDF conveyed 2 acres to the City of Bryan. The business park, known as the Texas Triangle Park, is currently the primary focus for economic development for the BBCEDF. Through September 30, 2023, BBCEDF sold 463 acres of the Texas Triangle Park and holds approximately 554 acres currently for sale.

The City of Bryan's 50% ownership in BBCEDF is reflected on the Statement of Net Position as Investment in Economic Development Foundation.

Destination Bryan

In 2021, the City of Bryan entered into a funding agreement with Destination Bryan, a local 501(c)(6) tax exempt, Texas non-profit corporation. Destination Bryan was created for the promotion of tourism and the hotel convention industry, and to be the City of Bryan's destination marketing organization, now and in the future. Destination Bryan's funding is primarily derived from the funding agreement with the City of Bryan.

Destination Bryan is reflected on the government wide statements in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Research Valley BioCorridor

In December 2011, the Cities of Bryan and College Station (the "Cities") adopted an inter-local agreement (ILA) for the development of the Research Valley BioCorridor. The purpose of the BioCorridor is to attract bio-related industries that develop life-changing medical technologies, build tax base, and attract high-paying jobs and investment to the Cities. The ILA outlines a number of ways the Cities will work together to create and manage an environment conducive for development and growth of the BioCorridor. The agreement applies to four tracts of land totaling approximately 196 acres owned by Bryan Commerce and Development, of which, approximately 147 acres are located in College Station.

The agreement provides for the joint construction and cost-sharing of HSC Parkway, the major roadway within the BioCorridor, creation of joint development standards, ad valorem revenue sharing on real and personal properties, sewer service to be provided by Bryan; Water service to be provided by College Station and a swap of exclusive sewer service territories that enables each City to more effectively provide service due to terrain and proximity to existing sewer systems.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Through September 30, 2023, The City of Bryan has expended \$6.4 million on roadways and sewer improvements under the agreement. Ad valorem taxes to be shared under the agreement are based on the lower of the Cities of Bryan and College Station's O&M tax rates, subject to a minimum rate of \$0.24 per \$100 valuation, and will be split on a 50/50 basis. Through September 30, 2023, the City of Bryan has paid a total of \$176,965 to the City of College Station under the tax sharing agreement.

Bryan Texas Utilities

BTU purchase and construction commitments were \$445.2 million at September 30, 2023. This amount primarily includes provisions for future fuel and energy purchases.

On March 24, 2023, BTU executed forward market power purchases for a year term 2024 and a 2-year term from 2025 to 2026, for BTU's wholesale supply agreement with Texas A&M University (TAMU) to support a portion of TAMU's projected baseload energy requirements over those respective years. BTU transacted with two counterparties for the total power purchase of approximately 620,800 MWh.

On April 5 and November 15, 2018, BTU executed forward market power purchases for a 5-year term from 2023 to 2027, to support BTU's projected baseload energy requirements over those respective years. BTU transacted with two counterparties with total future commitments of approximately 4,413,035 MWh.

On October 8, 2018, BTU entered into a 15-year power purchase agreement with an energy developer that was to construct a photovoltaic solar power plant in northeast Texas. The original agreement had an estimated commercial operation date of June 2022, and BTU was to purchase the output from 150 MW of generating capacity (100 MW for BTU and 50 MW on behalf of TAMU). Due to supply chain delays, BTU and the developer executed an amendment on August 31, 2022 that postponed the commercial operation date to December 31, 2022, and reduced the purchase output to 125 MW of generating capacity (75 MW for BTU and 50 for TAMU) with total future commitments of approximately 2,605,180 MWh for the revised 14-year term.

On August 28, 2014, BTU entered into a 25-year power purchase agreement with Los Vientos Windpower, LLC, a subsidiary of Duke Energy. Under the agreement, BTU purchases 33% of the output from wind turbines with a generating capacity of 110 MW from the Los Vientos V wind project in Starr County, Texas; which began commercial operation in December 2015.

On October 14, 2010, BTU entered into a 15-year power purchase agreement with Peñascal II Wind Power, LLC, a subsidiary of Iberdrola Renewables; now known as Avangrid Texas Renewables, LLC (Avangrid). Under the agreement, which extends from January 1, 2011 to December 31, 2025, BTU will purchase the output from wind turbines representing 30MW of generating capacity from Avangrid's existing Peñascal 2 Wind Project in Kenedy County, Texas.

On April 30, 2010, BTU entered into a 25-year power purchase agreement with Fotowatio Renewable Ventures (FRV). FRV owns and operates a photovoltaic solar power plant in Presidio County, Texas. Under the agreement, which extends from 2013 to 2037, BTU will purchase the output from the 10MW facility.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Crossfulton Investments, Ltd.

In 2012, the City of Bryan entered into an economic development agreement with Crossfulton Investments, Ltd. related to a retail center development located in west Bryan. The agreement provides sales tax revenue sharing of up to \$5,000,000 through 2029 to reimburse a portion of the cost of design, development and construction of the retail center. The reimbursements are based on sales tax collections from the retail businesses at the location. As of September 30, 2023, the developer has not provided the required information on sales tax to the City therefore no payment to Crossfulton has been made. The City estimates the liability to be \$2,205,446 as of September 30, 2023. These amounts have been restricted in the General Fund balance during FY 2023. Additionally, the City agreed to reimburse up to \$250,000 for construction costs of the traffic signal at Villa Maria and Jaguar which was paid in FY 2016.

Encumbrances

The General Fund assigned fund balance includes the impact of encumbrances. Encumbrances are commitments related to contracts for goods or services. At year end the amount of encumbrances expected to be honored in the next year in the General Fund were \$11.9 million.

21. LEASE RECEIVABLE

During the fiscal year ended September 30, 2022, the City entered into a Chapter 380 program agreement for economic development with a grant amount of \$1.4 million, and amended a ground lease in the amount of \$350,000 per year for four years. The initial ground lease dated February 12, 2020 has a term of 25 years with two ten year renewal options. Rental payments are variable and based on a percentage of adjusted gross value as defined in the agreement.

The City entered into a lessor arrangement on January 1, 2023 to provide building space for a period of twenty years. Lease payments are \$9,572.50 per month with an escalation of 1.5% per year.

As of September 30, 2023, the City had a balance in deferred inflows - leases of \$2,195,660 and a balance in lease receivable of \$2,191,651. During the fiscal year ended September 30, 2023, the City recorded \$375,318 in lease revenue and \$67,269 in interest revenue.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

22. RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Below is a reconciliation of the various restricted cash, cash equivalents and investments reported as of September 30, 2023:

| | City Electric Fund | Rural Electric Fund | Water Fund | Wastewater Fund | Airport Fund | Total |
|-----------------------------|-----------------------|------------------------|----------------------|---------------------|-----------------|-----------------------|
| Debt Reserve | \$ 2,824,100 | \$ - | \$ - | \$ - | \$ - | \$ 2,824,100 |
| Debt Service | 5,551,554 | 888,289 | 1,762,580 | 1,391,000 | 9,609 | 9,603,032 |
| Rate Stabilization | 1,749,928 | - | - | - | - | 1,749,928 |
| Customer Deposits Liability | 4,818,138 | 1,617,468 | - | - | - | 6,435,606 |
| Counter-party Collateral | 63,520,000 | - | - | - | - | 63,520,000 |
| Capital Debt Proceeds | 46,492,924 | - | 18,028,521 | - | - | 64,521,445 |
| | <u>\$ 124,956,644</u> | <u>\$ 2,505,757</u> | <u>\$ 19,791,101</u> | <u>\$ 1,391,000</u> | <u>\$ 9,609</u> | <u>\$ 148,654,111</u> |

*This table does not include investments in Brazos Valley Solid Waste Management Agency or City of Bryan and Brazos County Economic Development Foundation Inc.

23. BUDGETARY EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the fiscal year ended September 30, 2023 budgetary expenditures in excess of appropriations are reported as indicated below:

| Fund | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget - (Negative) |
|--------------------------------|------------------------------|-------------------|---|
| General Fund | \$ 91,934,000 | \$ 95,350,711 | \$ (3,416,711) |
| Queen and Palace Theaters Fund | 1,216,800 | 1,252,483 | (35,683) |

Appropriations are made at the fund level. For the fiscal year ended September 30, 2023, the General Fund exceeded expenditures at the fund level by \$1,616,190 and the Queen and Palace Theater Fund exceeded budgeted expenditures at the fund level by \$35,681, both were primarily due to additional capital expenditures.

24. FUND DEFICITS

The Community Development Fund, a Special Revenue Fund, has a deficit unassigned fund balance as of September 30, 2023 in the amount of \$17,556. This is the result of expenditures incurred in advance of processing the related grant requests. The City will submit grant fund requests to cover the fund deficit in fiscal year 2024.

The 2020 Certificates of Obligation Fund - Park, has a deficit unassigned fund balance as of September 30, 2023 in the amount of \$589,700. This is the result of park expenditures incurred in excess of the initial issuance. The City will cover the fund deficit in fiscal year 2024 through General Fund reimbursement.

25. TAX INCREMENT REINVESTMENT ZONES

Chapter 311 of the Texas Tax Code allows for the creation of Tax Increment Reinvestment Zones ("TIRZ"). TIRZ are statutory tools available to municipalities in Texas to promote development or

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

redevelopment in an area that would not occur in the foreseeable future solely through private investment. TIRZ are also a means to allow a community to enhance their ability to attract economic development or to allow businesses currently located within their area to expand. Once a City has designated a TIRZ, the governing bodies of the county and school district may choose to participate.

When a TIRZ is formed, a base value for the property located within the TIRZ is established. At the date of creation the appraised value is normally accepted as the base value. As the property within the TIRZ develops, property taxes are collected based upon appreciated appraised values at the rate established annually by the participating entities. Each participant in the TIRZ remits the amount of taxes attributable to the increase in the appraised values to the Tax Increment Financing Zone to be used to fund the project plan. Project plans normally include the creation of infrastructure such as roads, street improvements, water and sewer systems, lighting, landscaping, etc. A TIRZ may be terminated either on the date designated in the ordinance creating the zone, or the date on which all project costs, tax increment debt, and associated interest have been paid. A TIRZ may also be terminated by a subsequent ordinance providing for an earlier or later termination date.

As of September 30, 2023, the City had four active Tax Increment Financing Zones:

Tax Increment Reinvestment Zone #10: In 2000, the City approved an ordinance creating a TIRZ known as “Reinvestment Zone Number Ten, City of Bryan, Texas” (“Zone Ten”). Zone Ten encompasses a portion of the west side of the City in the area known as Traditions. The development includes a Jack Nicklaus designed golf course and an 800-acre high end housing development. Through the fiscal year ended September 30, 2023, the City estimates that it has funded \$32.3 million in public infrastructure improvements and associated costs within Zone Ten. Combination Tax and Surplus Utility System Revenue Certificates of Obligation, Series 2000A, in the aggregate principal amount of \$17,000,000 were issued by the City to provide funds to commence certain of the public infrastructure improvements. In 2005, the Series 2000A bonds were refunded through the City’s issuance of \$13,696,712 of General Obligation refunding bonds. In 2015, the 2005 GO Ref bonds were refunded through the City’s issuance of \$12,150,000 of General Obligation refunding bonds of which \$7,965,728 was assigned to Zone Ten. The outstanding debt balance as of September 30, 2023 is \$1,356,447 with debt service payments through 2025. The City contributes all of its incremental tax revenues to Zone Ten. Brazos County has agreed to allow 80% of its maintenance and operations rate to be diverted to Zone Ten through 2025. Incremental ad valorem property taxes provided sufficient funds to cover the entirety of debt service obligations in FY 2023.

Tax Increment Reinvestment Zone #19: In 2005, the City approved an ordinance creating a TIRZ known as “Reinvestment Zone Number Nineteen, City of Bryan, Texas” (“Zone Nineteen”). The development consists of 122 acres in the central portion of the City of Bryan in the vicinity of Nash Street. Through the fiscal year ended September 30, 2023, the City estimates that it has funded \$2.8 million in public infrastructure improvements and associated costs within Zone Nineteen. Tax and Revenue Certificates of Obligation, Series 2005, in the aggregate principal amount of \$1,747,642 were issued by the City to provide funds to commence certain of the public infrastructure improvements within Zone Nineteen. Subsequently, in 2007, the City issued Tax and Revenue Certificates of Obligation, Series 2007, in the aggregate principal amount of \$200,000 for TIRZ Nineteen projects. In 2013 and 2014, the Series 2005 bonds were refunded through the City’s issuance of \$1,534,542 of General Obligation refunding bonds. In 2016, the 2007 CO Ref bonds were

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

refunded through the City's issuance of \$7,755,000 of General Obligation refunding bonds of which \$108,803 was assigned to Zone Nineteen. The outstanding debt balance as of September 30, 2023 is \$496,828 with debt service payments through 2031. The City contributes all of its incremental tax revenues to Zone Nineteen. Brazos County agreed to allow 100% of its maintenance and operations rate to be diverted to Zone Nineteen through 2013. Incremental ad valorem property taxes provided sufficient funds to cover the entirety of debt service obligations in FY 2023.

Tax Increment Reinvestment Zone #21: In 2006, the City approved an ordinance creating a TIRZ known as "Reinvestment Zone Number Twenty-One, City of Bryan, Texas" ("Zone Twenty-One"). Zone Twenty-One is located in Downtown Bryan and was created to support the re-development of the Downtown district. In 2022, the City issued \$27,425,000 in Certificates of Obligation, \$5,517,000 of which was allocated to TIRZ Zone #21. The outstanding debt balance as of September 30, 2023 is \$5,496,883 with debt service payments through 2052. As of September 30, 2023, \$878,965 has been spent on projects in the TIRZ #21 zone. Incremental ad valorem property taxes provided sufficient funds to cover the entirety of debt service obligations in FY 2023.

Tax Increment Reinvestment Zone #22: In 2007, the City approved an ordinance creating a TIRZ known as "Reinvestment Zone Number Twenty-Two, City of Bryan, Texas" ("Zone Twenty-Two"). Zone Twenty-Two is a retail development on the east side of the City of Bryan in the vicinity of Bryan Towne Center. Through the fiscal year ended September 30, 2023, the City estimates that it has funded \$9.2 million in public infrastructure improvements and associated costs within Zone Twenty-Two. Tax and Revenue Certificates of Obligation, Series 2007, in the aggregate principal amount of \$3,721,414 were issued by the City to provide funds to commence certain of the public infrastructure improvements within Zone Twenty-Two. Subsequently, in 2008, the City issued Tax and Revenue Certificates of Obligation, Series 2008, in the aggregate principal amount of \$287,914 for TIRZ Twenty-Two projects. In September 2013, bond funds of \$1,481,500 were assigned to Zone Twenty-Two from Tax and Revenue Certificates of Obligation, Series 2010. In 2016, the 2007 CO Ref bonds were refunded through the City's issuance of \$7,755,000 of General Obligation refunding bonds of which \$2,404,981 was assigned to Zone Twenty-Two. In 2018, the 2008 CO bonds were refunded through the City's issuance of \$6,265,000 of General Obligation refunding bonds of which \$162,649 was assigned to Zone Twenty-Two. In 2020, the 2010 CO bonds were refunded through the City's issuance of \$7,125,000 of General Obligation refunding bonds of which \$927,209 was assigned to Zone Twenty-Two. The outstanding debt balance as of September 30, 2023 is \$1,517,954 with debt service payments through 2030. The City contributes all of its incremental tax revenues to Zone Twenty-Two. Brazos County has agreed to allow 100% of its maintenance and operations rate to be diverted to Zone Twenty-Two through 2023. Incremental ad valorem property taxes provided sufficient funds to cover the entirety of debt service obligations in FY 2023.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

The following schedule is a five year history of relevant data with regard to these TIRZ:

| Zone/ Fiscal Year | Net Taxable Value | Base Value | Captured Value | TIRZ Tax Levy |
|----------------------|-------------------------|---------------|-------------------|---------------------|
| <u># 10</u> | | | | |
| 2023 | \$ 430,476,095 | \$ 637,640 | \$ 429,838,455 | \$ 2,608,229 |
| 2022 | 388,925,552 | 637,640 | 388,287,912 | 2,398,692 |
| 2021 | 374,010,862 | 637,640 | 373,373,222 | 2,318,812 |
| 2020 | 360,471,723 | 637,640 | 359,834,083 | 2,245,873 |
| 2019 | 338,330,180 | 637,640 | 337,692,540 | 2,089,770 |
| <u># 19</u> | | | | |
| 2023 | 77,473,107 | 2,213,289 | 75,259,818 | 434,745 |
| 2022 | 69,630,746 | 2,213,289 | 67,417,457 | 419,448 |
| 2021 | 68,467,694 | 2,213,289 | 66,254,405 | 411,629 |
| 2020 | 67,573,647 | 2,213,289 | 65,360,358 | 405,485 |
| 2019 | 59,270,949 | 2,213,289 | 57,057,660 | 354,667 |
| <u># 21</u> | | | | |
| 2023 | 93,384,182 | 41,070,995 | 52,313,187 | 571,157 |
| 2022 | 82,549,749 | 41,070,995 | 41,478,754 | 515,285 |
| 2021 | 77,093,364 | 41,070,995 | 36,022,369 | 482,253 |
| 2020 | 74,139,645 | 41,070,995 | 33,068,650 | 464,249 |
| 2019 | 65,709,705 | 41,070,995 | 24,638,710 | 411,239 |
| <u># 22</u> | | | | |
| 2023 | 71,175,413 | 2,464,400 | 68,711,013 | 444,135 |
| 2022 | 65,699,417 | 2,464,400 | 63,235,017 | 413,249 |
| 2021 | 66,384,360 | 2,464,400 | 63,919,960 | 418,215 |
| 2020 | 62,967,063 | 2,464,400 | 60,502,663 | 396,686 |
| 2019 | 58,419,168 | 2,464,400 | 55,954,768 | 368,035 |

TIRZ tax levy above includes 100% of levy on the taxable values within the TIRZ boundaries. Actual levy to be collected for the TIRZ is based on captured values.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

26. TAX ABATEMENTS

As of September 30, 2023, the City of Bryan provides tax abatement economic development incentives through four programs:

Chapter 311 Texas Tax Code

The City uses Tax Increment Financing as a tool to assist with needed improvements to infrastructure and buildings within a designated reinvestment zone. The cost of projects and improvements to the reinvestment zone is repaid by the future tax revenues of each taxing unit that levies taxes against the property. The City can choose to dedicate all, a portion of, or none of the tax revenue gained as a result of improvements within the reinvestment zone.

Chapter 312 Texas Tax Code

The City allows for the creation of tax abatement agreements between the taxpayer and the city exempting all or part of the value increase from real property and/or tangible personal property from taxation for up to 10 years. In return, the developer is required to make certain improvements to their property or meet certain performance benchmarks.

Chapter 351 Texas Tax Code

The City can reimburse all or portions of Hotel Occupancy Tax (HOT) collected by the City. Reimbursed funds can be used for the management and supervision of certain promotional services, programs and activities that are eligible to be funded with revenue derived by the City from Hotel HOT (collectively "Statutorily Authorized Promotional Programs" or "SAPP(s)") specifically permitted under the Texas Tax Code Section 351.101(a) (1-5), including, by way of example, advertising, solicitation, and promotional programs promoting visitor attractions, points of interest, entertainment opportunities, recreational facilities, and historical sites to attract tourists and convention delegates or registrants to the City.

Chapter 380 Local Government Code

The City uses Economic Development Agreements to provide a grant or a loan of city funds or services to promote economic development. Under a Chapter 380 agreement, a developer and the City negotiate a contract to provide incentives such as permit fee waivers, payments of portions of sales and property tax, grants for façade and safety improvements, assistance with infrastructure and other items in return for the project meeting performance benchmarks.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

At September 30, 2023, the City had established the following abatement agreements:

| Property Owner | Date of Abatement | FY 2023 Appraised Values | FY 2023 Taxable Values | FY 2023 Abated Values | FY 2023 Eligible Taxes Levied * | FY 2023 Taxes Abated * |
|---|-------------------|--------------------------|-------------------------|-----------------------|---------------------------------|------------------------|
| Chapter 311 | | | | | | |
| TIRZ 10 | 2001-2025 | \$ 430,476,095 | \$ 430,476,095 | \$ 429,838,455 | \$ 2,608,229 | \$ 2,601,897 |
| TIRZ 19 | 2006-2028 | 77,473,107 | 77,473,107 | 75,259,818 | 434,745 | 422,309 |
| TIRZ 21 | 2007-2026 | 93,384,182 | 93,384,182 | 52,313,187 | 571,157 | 319,375 |
| TIRZ 22 NORTH | 2008-2027 | 22,317,508 | 22,317,508 | 21,891,198 | 139,261 | 136,601 |
| TIRZ 22 TARGET | 2008-2027 | 48,857,905 | 48,857,905 | 46,819,815 | 304,874 | 292,156 |
| Total Chapter 311 | | <u>\$ 672,508,797</u> | <u>\$ 672,508,797</u> | <u>\$ 626,122,473</u> | <u>\$ 4,058,266</u> | <u>\$ 3,772,338</u> |
| Chapter 312 | | | | | | |
| Lubrizol | 2018-2027 | \$ 35,645,405 | \$ 35,645,405 | \$ 13,781,836 | \$ 86,688 | \$ 86,688 |
| Total Chapter 312 | | <u>\$ 35,645,405</u> | <u>\$ 35,645,405</u> | <u>\$ 13,781,836</u> | <u>\$ 86,688</u> | <u>\$ 86,688</u> |
| Chapter 351 | | | | | | |
| Atlas Hotel ¹ | 2015-2025 | N/A | N/A | \$ - | \$ 243,239 | \$ 273,212 |
| Total Chapter 351 | | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 243,239</u> | <u>\$ 273,212</u> |
| Chapter 380 | | | | | | |
| Property Tax | | | | | | |
| Adam Development | 2019-2030 | \$ 69,618,539 | \$ 69,618,539 | \$ 68,562,389 | \$ 431,257 | \$ 431,257 |
| BCS Modern Living, LLC - Jordan Center | 2019-2025 | 118,553 | 118,553 | - | - | - |
| Capitol Flooring | 2020-2025 | 1,091,994 | 1,091,994 | 1,091,994 | 6,869 | 3,434 |
| City of College Station (Biocorridor Revenue Sharing Agreement) | | 260,980,147 | 243,110,012 | 773,518 | 32,043 | 32,043 |
| Cozumel Investors, Ltd. (The Ranch at Turkey Creek) | 2018-2025 | 6,278,657 | 6,278,657 | 5,601,369 | 35,233 | - |
| Clay Street Townhomes (Rock Pad, LLC) | 2019-2025 | 3,451,423 | 3,451,423 | 3,134,583 | 19,717 | 9,780 |
| EPMC Group (Legacy BTX Development) | 7 years | 775,268 | 775,268 | - | - | - |
| Fujifilm | 2014-2024 | 171,783,314 | 171,783,314 | N/A | - | - |
| The American Trade Group | 2019-2025 | 412,815 | 412,815 | - | - | - |
| RELLIS Campus Data and Research Center, LLC | 2023-2027 | N/A | N/A | - | - | - |
| Total Property Tax | | <u>514,510,710</u> | <u>496,640,575</u> | <u>79,163,853</u> | <u>525,118</u> | <u>476,514</u> |
| Sales Tax | | | | | | |
| CrossFulton | 2012-2027 | N/A | N/A | N/A | N/A | - |
| Total Sales Tax | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Chapter 380 | | <u>\$ 514,510,710</u> | <u>\$ 496,640,575</u> | <u>\$ 79,163,853</u> | <u>\$ 525,118</u> | <u>\$ 476,514</u> |
| Total | | <u>\$ 1,222,664,912</u> | <u>\$ 1,204,794,777</u> | <u>\$ 719,068,162</u> | <u>\$ 4,913,310</u> | <u>\$ 4,608,752</u> |

* Taxes levied for the TIRZ only include the taxes related to the captured values. The FY 2023 taxes were collected from the Tax Year 2022 levy.

¹ Tax Abatement payments made to the Atlas Hotel included FY 2022 eligible taxes.

The City of Bryan has other contracts providing other economic incentives to attract businesses to the city. A full listing of these incentives are found on our website: <https://www.bryantx.gov/economic-development/>.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

27. FINANCIAL HEDGING

BTU's Energy Risk Management Policy (Risk Policy) allows for the purchase and sale of certain financial instruments defined as hedge instruments. The essential goal of the Risk Policy is to provide a framework for the operation of a fuel and energy purchasing and hedging program to better manage BTU's risk exposures in order to stabilize pricing and costs for the benefit of BTU's customers.

BTU applies GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), which addresses the recognition, measurement, and disclosures related to derivative instruments. BTU utilizes natural gas commodity swaps to hedge its exposure to fluctuating fuel prices. Since these derivatives are entered into for risk mitigation purposes, the instruments are considered potential hedging derivative instruments under GASB 53.

BTU's hedging program considers a two-step approach to reducing exposure to the fluctuations in the natural gas market. Forecasted natural gas exposure is first determined by estimating natural gas supply needs on an ongoing basis. Fifty percent of that exposure is hedged through two separate but related transactions. First, BTU executes NYMEX swaps to approximate the forward price of Houston Ship Channel (HSC) natural gas. This transaction is considered the hedging derivative. These monthly hedges are settled approximately three days prior to the month where fuel will be purchased. When the NYMEX swap settles, a second derivative, an HSC swap, is executed to hedge the actual HSC settlement price for the next month's delivered fuel. The HSC swap, while itself a hedging derivative with the hedgeable item being the HSC daily settlement price, is also the hedgeable item for the NYMEX swap. In effect, BTU is using the NYMEX swap to mitigate fluctuations in natural gas prices at a point in time based on the forward gas price curve. Because the HSC swap is illiquid on a longer-term basis, it would be costly (and ineffective) to enter into long-term derivatives approximating the HSC daily settlement using the HSC swap. Therefore, the NYMEX swap is used to hedge the HSC swap price on a longer-term basis. When the NYMEX swap expires, the HSC swap is put on to reduce the cash flow fluctuations in the daily market settlement price.

To measure the effectiveness of the NYMEX swap, the hedgeable instrument is the HSC swap and the effectiveness test used is the regression analysis as prescribed by GASB 53.

To measure the effectiveness of the HSC swap, the hedgeable instrument is the HSC daily settlement price and meets the criteria for the consistent critical terms method as prescribed by GASB 53.

BTU evaluated all potential hedging derivative instruments for effectiveness as of September 30, 2023, and determined the derivatives to be effective in substantially offsetting the changes in cash flows of the hedgeable items.

For the fiscal year ended September 30, 2023, the total fair value of outstanding hedging derivative instruments was a net liability of \$1,342,128. The fair value of those derivative financial instruments maturing within one year are reported on the Statements of Net Position as a current liability of \$1,210,268 at September 30, 2023. The fair value of those derivative financial instruments with maturities exceeding one year are reported on the Statement of Net Position as a noncurrent liability of \$131,860 at September 30, 2023.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

Hedge accounting treatment outlined in GASB 53 and GASB 63 requires changes in the fair value of derivative instruments deemed effective in offsetting changes in cash flows of hedged items be reported as deferred (inflows) outflows of resources on the Statements of Net Position. During the fiscal year ended September 30, 2023, the fair value of the City Electric System's hedging derivative instruments - NYMEX-based commodity swaps - decreased by \$2,504,139; which is reported in the Statement of Net Position as a decrease of deferred outflows of resources. The deferred outflows are reported until respective contract expirations occur in conjunction with hedged expected physical fuel purchases. When fuel purchase transactions occur, the deferred balance associated with the expired fuel hedging contract is recorded as an adjustment to fuel expense. Reported on the Statement of Net Position, at September 30, 2023, the deferred outflows of resources related to hedging derivatives was \$1,342,128.

The following information details the City Electric System's hedging derivative instruments as of September 30, 2023:

| Type | Terms | Volume Hedged (MMBtu) | Execution Dates | Maturity Dates | Reference Index | Fair Value |
|-----------------|----------------------------------|-----------------------|---------------------|---------------------|-----------------|---------------|
| Commodity Swaps | BTU pays prices of \$3.355 – 5.5 | 1,437,000 | Dec 2021 - Feb 2023 | Oct 2023 - Dec 2024 | NYMEX | \$(1,342,128) |

The estimated fair value of the hedging derivative instruments is classified as a level 2 measurement under the hierarchy estimated by GASB 72 and are valued at the difference between the closing futures price at the end of the reporting period, and the futures price at the time the positions were established, less applicable commissions.

Fuel swap contracts represent a financial obligation to buy or sell the underlying settlement point price. If held to expiration, as is BTU's policy, the financial difference determined by mark-to-market valuation must be settled on a cash basis.

Credit Risk - BTU's hedging derivative instruments generate exposure to a certain amount of risk that could give rise to financial loss. By engaging in hedging activities, BTU is exposed to counterparty credit risk. However, if necessary, BTU has the ability to require collateralization of the fair value of derivative instruments as defined by the credit terms in counterparty contracts.

Basis Risk - BTU is exposed to basis risk because the expected gas purchases being hedged will settle based on a pricing point (HSC) different than the pricing point of the hedge transactions (NYMEX). For September 2023, prompt month prices were \$2.556/MMBtu and \$2.401/MMBtu, for NYMEX and HSC, respectively.

Termination Risk - Exposure to termination risk occurs because BTU or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. BTU's fuel hedges are exchange-traded instruments, and consequently, termination risk is mitigated by rules established by NYMEX, which is governed by the Commodity Futures Trade Commission.

City of Bryan, Texas

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2023

28. SUBSEQUENT EVENTS

On November 2, 2023, The Bryan/Traditions Partnership sold the Lakewalk Innovation Center. Bryan Commerce and Development (BCD) Fund received proceeds of \$7,050,000 for their portion of the interest in the Bryan/Traditions Partnership.

In December 2023 BTU kicked off an Integrated Resources Planning (IRP) process for 2028 and beyond. BTU expects this IRP will take around 6 months and will result in the procurement of additional resources to serve BTU's load in a reliable and cost-effective manner.

In February 2024, the City of Bryan issued revenue bonds dated February 27, 2024 ("Rural Electric System Revenue Bonds, Series 2024") totaling \$14,465,000 for the Rural Electric System.

In March 2024, the City of Bryan issued combination tax and revenue certificates of obligation dated March 5, 2024 ("Combination Tax and Revenue Certificates of Obligation, Series 2024") totaling \$44,360,000.

CITY OF BRYAN, TEXAS

Required Supplementary Information

Schedule of Contributions

Texas Municipal Retirement System

Last Ten Fiscal Years (will ultimately be displayed)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially Determined Contribution | \$ 7,686,872 | \$ 8,279,509 | \$ 8,521,169 | \$ 8,887,727 | \$ 9,224,947 | \$ 9,525,048 | \$ 9,921,334 | \$ 7,519,738 | \$ 6,738,064 |
| Contributions in relation to the actuarially determined contribution | 7,686,872 | 8,279,509 | 8,521,169 | 8,887,727 | 9,224,947 | 9,525,048 | 9,921,334 | 7,555,519 | 7,114,657 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (35,781) | \$ (376,593) |
| Covered payroll | \$ 48,991,679 | \$ 54,614,239 | \$ 55,894,466 | \$ 58,312,792 | \$ 61,308,968 | \$ 62,882,877 | \$ 64,682,955 | \$ 69,476,693 | \$ 75,406,309 |
| Contributions as a percentage of covered payroll | 15.69% | 15.16% | 15.25% | 15.24% | 15.05% | 15.15% | 15.34% | 10.87% | 9.44% |

Note to Schedule of Contributions

Only nine years of data are presented in accordance with GASB Standard No. 68 as the data for the years other than what is presented is not available. Additionally, GASB Standard No. 68 requires that the information on this schedule correspond with the period covered as of the City's fiscal year end of September 30, not the measurement date of the Actuary's report.

Methods and Assumptions Used to Determine the Contribution Ratio

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization method | Level Percentage of Payroll, Closed |
| Remaining Amortization period | 20 Years (longest amortization ladder) |
| Asset Valuation Method | 10 Year smoothed market; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018 |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |
| Other Information | There were no benefit changes during the year. |

Notes: The actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

APPENDIX C

SELECTED PROVISIONS OF THE ORDINANCE

SELECTED PROVISIONS OF THE ORDINANCE

Definitions

Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance, the following terms shall have meanings specified below:

“Account” means any account created within a Fund established pursuant to the terms of this Ordinance or an ordinance authorizing the issuance of Parity Obligations.

“Additional Bonds” means the additional bonds the City reserves the right to issue in accordance with Section 10.01 hereof.

“Annual Debt Service Requirements” means, for any Fiscal Year, the principal of and interest on all Parity Bonds coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the City on such Debt, or be payable in respect of any required purchase of such Debt by the City) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the City:

(1) Committed Take Out. If the City has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby the City’s obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(2) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the City) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as Balloon Debt), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if a Designated Financial Officer shall deliver to the City an Officer’s Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer’s Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the City has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Debt. Principal of and interest on Parity Bonds, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt;

(5) Variable Rate.

(a) Except as hereinafter provided in this subparagraph, the rate of interest on Variable Rate Obligations then proposed to be issued shall be deemed to be the average for the then immediately preceding five (5) years of the SIFMA Index, plus twenty (20) basis points; provided, however, that (i) if, after the issuance of the Variable Rate Obligations then proposed to be issued, more than 20% of the aggregate of the Parity Obligations Outstanding will bear interest at a variable rate and (ii) any Parity Obligation is then insured by a Bond Insurer, the rate of interest on Variable Rate Obligations then proposed to be issued shall be deemed to be the greater of (x) the most recently announced 30-year Revenue Bond Index published by The Bond Buyer, a financial journal published, as of the date the Ordinance was adopted, in The City of New York, New York, (y) the rate of interest then borne by any Variable Rate Obligations then Outstanding, and (z) 1.25 times the average variable rate borne by any Variable Rate Obligations then Outstanding during the then immediately preceding twelve-month period, or if no Variable Rate Obligations are then Outstanding, 1.25 times the average variable rate for similarly rated obligations with comparable maturities during the then immediately preceding twelve-month period, and

(b) Except as hereinafter provided in this subparagraph, the rate of interest on Variable Rate Obligations outstanding at the time of such calculation shall be deemed to be the lesser of (i) the then current per annum rate of interest borne by such Variable Rate Obligations or (ii) the average per annum rate of interest borne by such Variable Rate Obligations during the then immediately preceding twelve-month period; provided, however, that for any period during which (a) more than 20% of the aggregate of the Parity Obligations then Outstanding bear interest at a variable rate and (b) any Parity Obligation is then insured by a Bond Insurer, the rate of interest on such Variable Rate Obligations shall be the greater of (x) the most recently announced 30-year Revenue Bond Index published by The Bond Buyer, a financial journal published, as of the date the Ordinance was adopted, in The City of New York, New York, (y) the rate of interest then in effect with respect to such Variable Rate Obligations in accordance with their terms, and (z) 1.25 times the average variable rate borne by such Variable Rate Obligations during the then immediately preceding twelve-month period;

(6) Guarantee. In the case of any guarantee, as described in clause (2) of the definition of Debt, no obligation will be counted if the City does not anticipate in its annual budget that it will make any payments on the guarantee. If however, the City is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Parity Bonds, and calculations of annual debt service requirements with respect to such guarantee shall be made assuming that the City will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the City no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements;

(7) Commercial Paper. With respect to any Parity Obligations issued in the form of commercial paper with maturities not exceeding 270 days, the interest on such Parity Obligations shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(8) Credit Agreement Payments. If the City has entered into a Credit Agreement in connection with an issue of Debt, payments due under the Credit Agreement (other than payments made by the City in connection with the termination or unwinding of a Credit Agreement), from either the City or the Credit Provider, shall be included in such calculation except to the extent that the payments are already taken into account under (1) through (7) above and any payments otherwise included above under (1) through (7) which are to be replaced by payments under a Credit Agreement, from either the City or the Credit Provider, shall be excluded from such calculation.

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

“Authorized Denomination” shall have the same meaning given said term in Section 3.02(a) hereof.

“Authorized Investments” means any and all of the authorized investments described in the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, provided that such investments are, at the time made, included in and authorized by the City’s official investment policy approved from time to time by the City Council.

“Bond Insurer” means any insurance company insuring payment of municipal bonds and other similar obligations if such bond or obligations so insured by it are eligible for a rating by a Rating Agency, at the time of the delivery of a municipal bond insurance policy, in one of its two highest rating categories.

“Bondholder” or “Holder” or “Owner” or “Registered Owner” means the person who is the registered owner of a Bond or Bonds.

“Bonds” means the waterworks and sewer system revenue bonds authorized to be issued by Section 3.01 of this Ordinance.

“Business Day” means a day other than a Saturday, Sunday, a legal holiday, or a day on which banking institutions are authorized by law or executive order to close in the City or the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located.

“Chapter 1371” means Chapter 1371, Texas Government Code, as amended.

“Chapter 1502” means Chapter 1502, Texas Government Code, as amended.

“City” means the City of Bryan, Texas, and, where appropriate, its City Council.

“City Council” means the governing body of the City.

“Code” means the Internal Revenue Code of 1986, as amended, including the regulations and published rulings thereunder.

“Credit Agreement” means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Bonds, purchase or sale agreements, interest rate swap agreements, currency exchange agreements, interest rate floor or cap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the City as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Bonds and on a parity therewith.

“Credit Facility” means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on Parity Bonds would rate the Parity Bonds fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Bonds would rate the parity obligations in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Parity Bonds and the interest thereon; and, in any case, no lower than the rating assigned by a Rating Agency to the Parity Bonds.

“Credit Provider” means any bank, financial institution, insurance company, surety bond provider, or other entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

“Dated Date” means the date designated in the Pricing Certificate as the date of the Bonds.

“Debt” means all:

(1) indebtedness incurred or assumed by the City for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the City that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the City whether or not the City has assumed or become liable for the payment thereof.

For the purpose of determining the “Debt” of the City, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of the City in prior Fiscal Years.

“Debt Service Fund” means the interest and sinking fund described in Section 8.02 of this Ordinance.

“Defeasance Securities,” unless otherwise provided in the Pricing Certificate, means investment securities authorized by law for the investment of funds to defease public securities, which under current law include (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

“Designated Financial Officer” means each of the City Manager and the Chief Financial Officer of the City.

“DTC” means The Depository Trust Company of New York, New York, or any successor securities depository.

“DTC Participant” means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the twelve (12) month period ending September 30 of each year, unless otherwise designated by the City.

“Fund” means any fund established pursuant to the terms of this Ordinance or an ordinance authorizing the issuance of Parity Obligations.

“Funded Debt” means all Parity Bonds that mature by their terms (in the absence of the exercise of any earlier right of demand), or are renewable at the option of the City to a date, more than one year after the original creation, assumption, or guarantee of such Debt by the City.

“Interest Payment Date” means the date or dates specified in the Pricing Certificate.

“Issuance Date” means the date of delivery of the Bonds to the Purchaser in consideration of receipt of payment therefor.

“Maturity” when used with respect to any Debt means the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

“Maturity Date” means the dates specified in the Pricing Certificate on which the principal of the Bonds is due and payable.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Earnings” means all income, receipts and revenues derived from the operation of the Waterworks and Sewer System, including interest earned on invested moneys in the special Funds created herein for the payment and security of obligations payable from the Net Revenues, after deduction of maintenance and operating expenses (but not deducting depreciation) and other expenditures which, under standard accounting practice, should be classified as capital expenditures. Revenues and receipts

resulting solely from the ownership of the Waterworks and Sewer System (grants, meter deposits and gifts) and interest earned on Bond proceeds shall not be treated or included as income, revenues or receipts from the operation of the Waterworks and Sewer System for purposes of determining “Net Earnings”.

“Net Revenues” means all income, revenues and receipts of every nature derived from and received by virtue of the operation of the Waterworks and Sewer System including interest income and earnings received from the investment of moneys in the special Funds created by this Ordinance or ordinances authorizing Parity Obligations, after deducting and paying, and making provisions for the payment of, current expenses of maintenance and operation thereof, including all salaries, materials, repairs and extensions necessary to render efficient service; provided, however, only such expenses for repairs and extensions as in the judgment of the City Council reasonably and fairly exercised, are necessary to keep the Waterworks and Sewer System in operation and to render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair any obligations payable from Net Revenues of the Waterworks and Sewer System, shall be deducted in determining “Net Revenues”. Contractual payments for the purchase of water or the treatment of sewage shall be a maintenance and operating expense of the Waterworks and Sewer System to the extent provided in the contract incurred therefor and as may be authorized by law. Depreciation shall never be considered as an expense of operation and maintenance.

“Non-Recourse Debt” means any Debt secured by a lien (other than a lien on Net Revenues), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to any other property of the City attributable to the Waterworks and Sewer System; provided, however, that such Debt is being incurred in connection with the acquisition of property only, which property is not, at the time of such occurrence, owned by the City and being used in the operations of the City.

“Officer’s Certificate” means a certificate executed by a Designated Financial Officer.

“Ordinance” means this Ordinance authorizing the issuance of the Bonds, and all amendments thereof and supplements thereto.

“Parity Bonds” means the Previously Issued Parity Bonds and the bonds authorized to be issued under the terms of this Ordinance secured by a first lien on and pledge of the Net Revenues of the Waterworks and Sewer System.

“Parity Obligations” means all Parity Bonds, as well as any other obligations issued or incurred by the City that are determined and declared by the City Council of the City to be on a parity with the Parity Bonds, including obligations of the City issued or incurred under the terms of a Credit Agreement.

“Paying Agent/Registrar” means the bank or trust company identified in the Paying Agent/Registrar Agreement, or any successor thereto as provided in this Ordinance.

“Paying Agent/Registrar Agreement” means the agreement between the City and the Paying Agent/Registrar in substantially the form presented to the City Council with this Ordinance.

“Previously Issued Parity Bonds” means, collectively, the following obligations: (i) City of Bryan, Texas Waterworks and Sewer System Revenue Bonds, New Series 2011, (ii) City of Bryan, Texas Waterworks and Sewer System Revenue Bonds, New Series 2016A, (iii) City of Bryan, Texas Waterworks and Sewer System Revenue Bonds, New Series 2016B; (iv) City of Bryan, Texas Waterworks and Sewer System Revenue Refunding Bonds, New Series 2017, (v) City of Bryan, Texas Waterworks and Sewer System Revenue Refunding Bonds, New Series 2019 (vi) City of Bryan, Texas Waterworks and Sewer System Revenue Refunding Bonds, New Series 2020, and (vii) City of Bryan, Texas Waterworks and Sewer System Revenue Bonds, New Series 2021.

“Pricing Certificate” means a certificate or certificates signed by the Pricing Officer establishing the terms and features of each series of Bonds in accordance with Section 19.01 hereof.

“Pricing Officer” means each of the Mayor, the City Manager and the City’s Chief Financial Officer, acting individually.

“Purchase Contract” means any contract, agreement or investment letter pursuant to which the Bonds of each series are sold to the Purchaser thereof.

“Purchaser” means the purchaser or purchasers of the Bonds of each series identified in the Pricing Certificate.

“Rating Agency” means Moody’s Investors Service, Inc., Fitch Ratings or S&P Global Ratings, a division of S&P Global Inc., or their respective successors.

“Record Date” means the date specified in the Pricing Certificate.

“Registration Books” means the bond registration books specified in Section 3.03(a) of this Ordinance.

“Required Reserve Amount” means an amount equal to the lesser of (a) 1.25 times the average Annual Debt Service Requirements of the Parity Bonds then Outstanding, or (b) 1.00 times the Annual Debt Service Requirements of the Parity Bonds to be Outstanding in the Fiscal Year during which such Annual Debt Service Requirements are scheduled to be the greatest, provided, however, that the Required Reserve Amount shall not exceed ten percent (10%) of the aggregate proceeds (within the meaning of Section 148(d)(2) of the Code) of the Parity Bonds.

“Reserve Fund” means the reserve fund described in Section 8.03 of this Ordinance.

“Reserve Fund Obligations” means cash, Authorized Investments, and any Credit Facility (one or more), or any combination of any of the foregoing.

“Revenue Fund” means the revenue fund described in Section 8.01 of this Ordinance.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“SIFMA Index” means the “high grade” seven-day index made available by The Securities Industry and Financial Markets Association, or any successor thereto, based upon 30-day yield evaluation at par of bonds, the interest income on which is excludable from gross income of the recipients thereof for federal income tax purposes. In the event that neither The Securities Industry and Financial Markets Association nor any successor thereto makes available an index conforming to the requirements of the preceding sentence, the term “SIFMA Index” shall mean an index determined by the City based upon the rate for bonds rated in the highest short-term rating category by a Rating Agency, the interest income on which is excludable from gross income of the recipients thereof for federal income tax purposes, in respect of issuers most closely resembling the “high grade” component issuers selected by “SIFMA Index”.

“Stated Maturity” when used with respect to any Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Debt or such installment of interest as a fixed date on which the principal of such Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

“Subordinated Debt” or “Subordinate Obligations” means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Bonds then outstanding or subsequently issued.

“Tax-Exempt Bonds” shall mean Bonds, the interest on which is intended to be excludable from gross income for federal income tax purposes, as determined and set forth in the Pricing Certificate therefor.

“Taxable Bonds” shall mean Bonds the interest on which is not intended to be excludable from gross income for federal income tax purposes, as determined and set forth in the Pricing Certificate therefor.

“Term of Issue” means with respect to any Balloon Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or (ii) twenty-five (25) years.

“Unclaimed Payments” means money deposited with the Paying Agent/Registrar for the payment of principal, redemption premium, if any, or interest on the Bonds as the same come due and payable or money set aside for the payment of Bonds duly called for redemption prior to maturity.

“Value of Investment Securities” and words of like import means valuation at their market value, excluding accrued interest, in accordance with the City’s official investment policy approved from time to time by the City Council.

“Variable Rate Obligations” means Parity Obligations that bear interest at a rate per annum which is subject to adjustment so that the actual rate of interest is not ascertainable at the time such Parity Obligations are issued; provided, however, that upon the conversion of the rate of interest on a Variable Rate Obligation to a fixed rate of interest (whether or not the interest rate thereon is subject to conversion back to a variable rate of interest), such Parity Obligation shall not be treated as a “Variable Rate Obligation” for so long as such Parity Obligation bears interest at a fixed rate.

“Waterworks and Sewer System” means the waterworks and wastewater system components of the City, including all properties and interests in properties (real, personal or mixed and tangible or intangible, including contract rights, water rights and permits) owned, operated, maintained, and vested in, the City for the supply, storage, treatment and distribution of treated water for municipal, domestic, commercial, industrial and other uses and the collection and treatment of watered wastes, together with all future additions, extensions, replacements and improvements thereto; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Waterworks and Sewer System shall not include any waterworks or sewer facilities which are declared not to be a part of the Waterworks and Sewer System and which are acquired or constructed by the City with the proceeds from the issuance of “Special Facilities Bonds”, which are hereby defined as being special revenue obligations of the City which are not secured by or payable from the Net Revenues as defined herein, but which are secured by and payable solely from special contract revenues or payments received from any other legal entity in connection with such facilities, and thus constitute Non-Recourse Debt; and such revenues or payments shall not be considered as or constitute gross revenues of the Waterworks and Sewer System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such “Special Facilities Bonds”.

Rates and Charges.

The City shall, at all times while any of the Bonds are outstanding and unpaid, maintain rates and collect charges for the facilities and services afforded by the Waterworks and Sewer System, as required by Section 1502.057, Texas Government Code, which will provide revenues sufficient at all times to:

- (a) Pay for all maintenance, operation, debt service, depreciation, replacement and betterment charges of the Waterworks and Sewer System;
- (b) Establish and maintain the Debt Service Fund and the Reserve Fund as provided for in this Ordinance;
- (c) Produce Net Revenues each year in an amount reasonably estimated to be not less than 1.25 times the average Annual Debt Service Requirements of the Parity Bonds from time to time outstanding; and
- (d) Pay all other obligations reasonably anticipated to be payable from the revenues of the Waterworks and Sewer System as and when the same become due.

Waterworks and Sewer System Revenue Fund.

The City affirms that there has been created and established on the books of the City a separate fund entitled the “City of Bryan, Texas, Waterworks and Sewer System Revenue Fund” (hereinafter called the “Revenue Fund”). All revenues of the Waterworks and Sewer System immediately shall be credited to the Revenue Fund upon receipt. The Revenue Fund shall be kept separate and apart from all other funds of the City, and, further shall be pledged and appropriated to the following uses and in the order of precedence shown:

- First: To the payment of all necessary and reasonable maintenance and operation expenses of the Waterworks and Sewer System, as said expenses are defined by law.
- Second: To the “Debt Service Fund” and the “Reserve Fund” for the payment of Parity Obligations, including specifically the payment of principal of and interest on the Parity Bonds, when and as the same fall due and mature.
- Third: To pay Subordinated Debt.
- Fourth: To any other purpose of the City now or hereafter permitted by law.

Debt Service Fund.

The City affirms that, for the sole purpose of paying obligations incurred under Parity Obligations, including specifically the payment of the principal of and interest on the Parity Bonds, as the same come due, there has been created and established on the books of the City a separate fund entitled the “City of Bryan, Texas, Waterworks and Sewer System New Series Revenue Bonds Debt Service Fund” (hereinafter called the “Debt Service Fund”). Monies in the Debt Service Fund are and shall be maintained at an official depository bank of the City.

Promptly after the delivery of the Bonds the City shall cause to be deposited to the credit of the Debt Service Fund any accrued interest received from the sale and delivery of the Bonds, and any such deposit shall be used for the payment of the interest next coming due on the Bonds.

The City shall transfer from the Net Revenues credited to the account of the Revenue Fund and deposit to the credit of the Debt Service Fund the amounts, at the times, as follows:

- (a) such amounts, deposited in approximately equal monthly installments on or before the last Business Day of each month hereafter, commencing with the month during which the Bonds are delivered, as will be sufficient, together with other amounts, if any, then on hand in the Debt Service Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on the next succeeding Interest Payment Date; and
- (b) such amounts, deposited in approximately equal monthly installments on or before the last Business Day of each month hereafter, commencing with the month during which the Bonds are delivered, as will be sufficient, together with other amounts, if any, then on hand in the Debt Service Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Bonds on the next succeeding principal payment date.

The City reserves the right to establish accounts within the Debt Service Fund for the payment of Parity Obligations that are not Parity Bonds, including specifically obligations incurred under a Credit Agreement that are declared to be a Parity Obligation in the ordinance authorizing the execution of such Credit Agreement.

Reserve Fund.

The City affirms that there has been created and established on the books of the City a separate fund entitled the "City of Bryan, Texas, Waterworks and Sewer System New Series Revenue Bonds Reserve Fund" (hereinafter called the "Reserve Fund"). The Reserve Fund shall be maintained for the benefit of the owners and holders of the Parity Obligations. There shall be credited to the Reserve Fund any Reserve Fund Obligations so designated by the City. Reserve Fund Obligations in the Reserve Fund shall be used for the purpose of retiring the last of the Parity Obligations as they become due or paying principal of and interest on the Parity Obligations when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose. The Reserve Fund shall be maintained in an amount at least equal to the Required Reserve Amount. The City may, at its option, withdraw and use all surplus in the Reserve Fund over the Required Reserve Amount for any lawful purpose not inconsistent with the City's ownership and operation of the Waterworks and Sewer System; provided, that should such surplus constitute the proceeds of Parity Obligations, such surplus shall be deposited to the Debt Service Fund.

The City may satisfy its covenant to maintain the Reserve Fund in an amount equal to the Required Reserve Amount with a Credit Facility that will provide funds, together with other Reserve Fund Obligations, if any, credited to the Reserve Fund, at least equal to the Required Reserve Amount. The City may, upon passage of an ordinance by the City Council of the City, replace or substitute a Credit Facility for cash or Authorized Investments on deposit in the Reserve Fund or in substitution for or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or Authorized Investments in excess of the Required Reserve Amount may be withdrawn by the City, at its option, and transferred to the Revenue Fund; provided that the face amount of any Credit Facility may be reduced at the option of the City in lieu of such transfer; and provided, further, that if such amount withdrawn was originally funded with the proceeds of Parity Obligations, such funds shall be used to pay for improvements to the Waterworks and Sewer System or be transferred to the Debt Service Fund.

If the City is required to make a withdrawal from the Reserve Fund for any of the purposes described in this Section, the City shall promptly notify the issuer of such Credit Facility of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys or Authorized Investments then on deposit in the Reserve Fund, and NEXT from a drawing under any Credit Facility to the extent of such deficiency.

When and if the Reserve Fund contains less than the Required Reserve Amount due to the issuance of the Bonds or Additional Bonds, beginning on the last Business Day of the month following the delivery of the Bonds to the purchasers thereof, and continuing for sixty (60) months, the City shall transfer from the Net Revenues and deposit to the credit of the Reserve Fund an amount equal to 1/60th of the difference determined as of such delivery date between the amount in the Reserve Fund and the Required Reserve Amount. In the event of a deficiency in the Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an aggregate amount at least equal to the Required Reserve Amount, then the City shall, after making required deposits to the Debt Service Fund in accordance with the terms of this Ordinance, satisfy the Required Reserve Amount by depositing Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/12 of such deficiency on or before the last Business Day of each month following such deficiency, termination or expiration.

In the event of the redemption or defeasance of any of the Parity Obligations, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Required Reserve Amount may be withdrawn and transferred, at the option of the City, to the escrow fund established for the retirement of such Parity Obligations or to the Revenue Fund for subsequent transfer to the Debt Service Fund, as a result of (i) the redemption of Parity Obligations or (ii) funds for the payment of the Parity Obligations having been deposited in the manner described in this Ordinance, the result of such deposit being that such Parity Obligations no longer are deemed to be outstanding under the terms of this Ordinance.

In the event there is a draw upon a Credit Facility, the City shall reimburse the issuer of such Credit Facility for such draw, in accordance with the terms of any agreement pursuant to which the Credit Facility is issued, from Net Revenues; however, such reimbursement from Net Revenues shall be subject to the provisions of Section 8.02 above and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Parity Obligations.

Construction Fund.

There is hereby created and there shall be established and maintained on the books of the City, and accounted for separate and apart from all other funds of the City, a separate fund designated as the "City of Bryan, Texas, Waterworks and Sewer System Series 2025 Revenue Bonds Construction Fund" (hereinafter called the "Construction Fund"). A portion of the proceeds from the sale of the Bonds shall be deposited to the credit of the Construction Fund for use by the City for payment of all lawful costs associated with the construction, improvement, repair, renovation, enlargement, extension and equipping of the Waterworks and Sewer System, as hereinbefore provided. Upon payment of all such costs, any moneys remaining on deposit in the Construction Fund shall be transferred FIRST, to the extent the City is liable, to pay rebate amounts to the United States of America pursuant to the terms of the Code and NEXT to the Debt Service Fund. Amounts so deposited to the Debt Service Fund shall be used in the manner described in Section 8.02.

Excess Revenues.

All revenues in excess of those required to establish and maintain the Debt Service Fund and the Reserve Fund as required may be used for any proper City purpose now or hereafter permitted by law including, without limitation, pledging any excess revenues in support of Subordinate Obligations.

Security of Funds.

All Funds and Accounts shall be secured in the manner and to the fullest extent required by law for the security of public funds, including Chapter 2257, Texas Government Code, as amended, and the funds created by the Ordinance shall be used only for the purposes therein specified.

Investment of Certain Funds.

Moneys in any Fund or Account established pursuant to this Ordinance may, at the option of the City, be placed or invested in Authorized Investments. The value of any such Fund or Account shall be established by adding any money therein to the Value of Investment Securities. The value of each such Fund or Account shall be established no less frequently than annually as of the last Business Day of each Fiscal Year, and in any event the value of each such Fund and Account shall be established as of the last Business Day of the month preceding the date the City Council adopts an ordinance authorizing the issuance and delivery of Parity Obligations. Authorized Investments credited to the Reserve Fund shall have stated maturities, or be redeemable at the option of the holder thereof at a stated price and time, not later than five (5) years after the date of the investment therein or the date of last maturity of Parity Obligations, whichever date is earlier. Authorized Investments credited to the Revenue Fund or the Debt Service Fund shall have stated maturities, or be redeemable at the option of the holder thereof at a stated price and time, not later than the date such moneys shall be needed to pay principal (including scheduled mandatory sinking fund redemption payments) and interest on Parity Obligations, or to pay operating and maintenance expenses of the Waterworks and Sewer System, as the case may be. Earnings derived from the investment of moneys on deposit in the various Funds and Accounts shall be credited to the Revenue Fund.

Issuance of Additional Bonds.

- (a) In addition to the right to issue Subordinate Obligations as authorized by law, the City reserves the right to issue Additional Bonds, under and in accordance with the Ordinance for the purpose of improving, extending, equipping and repairing the Waterworks and Sewer System, paying or refunding Parity Obligations or Subordinate Obligations and for any other lawful purpose. The Additional Bonds shall be secured by and payable from a lien on and pledge of the Net Revenues in the same manner and to the same extent as any then outstanding Parity Bonds, and the Additional Bonds then proposed to be issued shall in all respects be on a

parity and of equal dignity as to lien and right. Additional Bonds may be issued under this Ordinance in one or more installments; provided, however, that none of the Additional Bonds shall be issued unless and until the following conditions have been met, to-wit:

- (i) The City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the outstanding Parity Bonds;
 - (ii) Each of the special Funds created for the payment and security of the Parity Bonds contains the amount of money then required to be on deposit therein;
 - (iii) The City has secured from a Certified Public Accountant a certificate showing that the Net Earnings of the Waterworks and Sewer System for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen (15) months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average Annual Debt Service Requirements (calculated on a Fiscal Year basis) of all Parity Bonds which will be outstanding after the issuance of the proposed Additional Bonds. However, (A) should the certificate of the accountant certify that the Net Earnings of the Waterworks and Sewer System for the period covered thereby were less than required above, and (B) a change in the rates and charges for services afforded by the Waterworks and Sewer System became effective at least sixty (60) days prior to the last day of the period covered by the accountant's certificate, and (C) an independent engineer or engineering firm having a favorable reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings of the Waterworks and Sewer System covered by the accountant's certificate would have been, in the opinion of such engineer or engineering firm, at least equal to 1.25 times the average Annual Debt Service Requirements (calculated on a Fiscal Year basis) of the outstanding Parity Bonds after giving effect to the issuance of the Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect; and
 - (iv) The ordinance authorizing the Additional Bonds (A) requires that deposits shall be made into the Debt Service Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and (B) provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be an amount equal to the Required Reserve Amount for all outstanding Parity Bonds theretofore issued and to be outstanding after the issuance of said Additional Bonds and any additional amount shall be so accumulated in not more than sixty (60) months from the date of the Additional Bonds.
- (b) Wherever, in this Ordinance, the City reserves the right to issue Additional Bonds, such term shall also include, mean and refer to any other forms or types of obligations which may be made lawfully payable from and secured by the same source of revenues of the City.
 - (c) If Additional Bonds are being issued for the purpose of refunding less than all outstanding Parity Bonds, the certification described in subsection (a)(iii) of this Section is not required so long as the Designated Financial Officer provides a certificate showing that the aggregate debt service requirements of such refunding Parity Bonds will not exceed the aggregate debt service requirements of the Parity Bonds being refunded.

Credit Agreements.

Payments to be made under a Credit Agreement may be treated as Parity Obligations if the governing body of the City makes a finding in the ordinance authorizing the execution and delivery of such Credit Agreement that the obligations of the City incurred under a Credit Agreement shall be treated as a Parity Obligation that, based upon the findings contained in a certificate executed and delivered by a Designated Financial Officer, the City will have sufficient funds to meet the financial obligations of the Waterworks and Sewer System, including sufficient Net Revenues to satisfy the Annual Debt Service Requirements of the Waterworks and Sewer System and the financial obligations of the City relating to the Waterworks and Sewer System after giving effect to the treatment of the Credit Agreement as a Parity Obligation.

Separately Financed Projects.

The City expressly retains the right to issue or incur bonds, notes, or other obligations or evidences of indebtedness, other than Parity Obligations, for any project or purpose for goods or services other than the generation, transmission, distribution and

sale of electric energy and capacity or related goods and services, which presently are or hereafter may be authorized or permitted to be provided or maintained by waterworks and sewer systems generally or the City specifically under the laws of the State of Texas, federal law or the City's home rule charter; provided the bonds, notes or other obligations issued or incurred for any such separately financed project are payable from and secured by other available funds derived from the ownership or operation thereof or excess Net Revenues remaining after satisfying, or making provision for the satisfaction of, the priority of claims identified on such Net Revenues in Section 8.01 hereof and separate books and records for such separately financed project or activity are maintained by the City.

Chapter 1208, Government Code, Applies to Bonds.

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Net Revenues granted by the City under Section 2.01 hereof, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

Maintenance and Operation; Insurance.

The City shall maintain the Waterworks and Sewer System in good condition and operate the same in an efficient manner and at reasonable cost. So long as any Parity Bonds are outstanding, the City agrees to maintain insurance for the benefit of the holder or holders thereof on the Waterworks and Sewer System of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business. Nothing in the Ordinance shall be construed as requiring the City to expend any funds derived from sources other than the operation of the Waterworks and Sewer System, but nothing therein shall be construed as preventing the City from doing so. In lieu of obtaining policies for insurance as provided above, the City may self-insure against risks, accidents, claims or casualties of the nature described above.

Records; Accounts; Accounting Reports.

The City covenants and agrees that so long as any Parity Bonds or any interest thereon remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of its Waterworks and Sewer System separate and apart from all other records and accounts; complete and correct entries shall be made of all transactions relating to the Waterworks and Sewer System, as provided by Section 1502.056, Texas Government Code, and that the holder or holders of any Parity Bonds or any duly authorized agent or agents of such holders shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto, and to inspect the Waterworks and Sewer System and all properties comprising same. The City further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the accountants, shall particularly include the following:

- (a) A detailed statement of the income and expenditures of the Waterworks and Sewer System for such Fiscal Year.
- (b) A balance sheet as of the end of such Fiscal Year.
- (c) The accountant's comments regarding the manner in which the City has carried out the requirements of the Ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the Waterworks and Sewer System.
- (d) A list of the insurance policies in force at the end of the Fiscal Year on the Waterworks and Sewer System properties, setting out as to each policy the amount thereof, the risk covered, the name of the insurer, and the policy's expiration date.

Expenses incurred in making the audits referred to hereinabove are to be regarded as maintenance and operation expenses and paid as such. Copies of the aforesaid annual audit shall be immediately furnished, upon request, to the original purchaser or any subsequent owner of the Parity Bonds.

Remedy in Event of Default.

In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Debt Service Fund or the Reserve Fund as required by this Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the holder or holders of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in this Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Remedies Not Exclusive.

No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bond shall not be available as a remedy under this Ordinance.

The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

Competition; Sale of Waterworks and Sewer System.

So far as it legally may, the City covenants and agrees, for the protection and security of the Parity Bonds and the holders thereof from time to time, that it will not grant a franchise for the operation of any competing system in the City until all Parity Bonds shall have been retired. Neither the Waterworks and Sewer System, nor a substantial part thereof, shall be sold while the Parity Bonds are outstanding, but nothing in the Ordinance shall prevent the sale or disposal of properties constituting a part of the Waterworks and Sewer System which are no longer useful in connection with the operation thereof.

Defeasance of Bonds.

- (a) Except as otherwise provided in the Pricing Certificate, the City may defease the provisions of this Ordinance and discharge its obligations to pay the principal of and interest on any or all of the Bonds (a "Defeased Bond") in any manner now or hereafter permitted by law, including by depositing with the Paying Agent/Registrar, a trust company or commercial bank other than the Paying Agent/Registrar, or with the Comptroller of Public Accounts of the State of Texas either:
 - (i) cash in an amount equal to the principal amount of such Bonds and premium, if any, and interest thereon to the date of maturity or redemption; or
 - (ii) pursuant to an escrow or trust agreement, cash and/or Defeasance Securities, which (in the case of Defeasance Securities) may be in book-entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption; provided however, that if any of the Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in this Ordinance.

Upon such deposit, such Bonds shall no longer be regarded to be Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the City or deposited as directed in writing by the City.

- (b) Any agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection (a) above. All income from such Defeasance Securities which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the City or deposited as directed in writing by the City.

- (c) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by this Ordinance.
- (d) In the event that the City elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

Amendment of Ordinance.

- (a) That the holders of the Parity Bonds aggregating a majority in principal amount of then outstanding Parity Bonds shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City; provided, however, that without the consent of the holders of all of the Parity Bonds at the time outstanding, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in this Ordinance or in the Parity Bonds so as to:
 - (i) Make any change in the maturity of the outstanding Parity Bonds;
 - (ii) Reduce the rate of interest borne by any of the outstanding Parity Bonds;
 - (iii) Reduce the amount of the principal payable on the outstanding Parity Bonds;
 - (iv) Modify the terms of payment of principal of or interest on the outstanding Parity Bonds or impose any conditions with respect to such payment;
 - (v) Affect the rights of the holders of less than all of the Parity Bonds then outstanding; or
 - (vi) Change the minimum percentage of the principal amount of Parity Bonds necessary for consent to such amendment.
- (b) That if at any time the City shall desire to amend the Ordinance under this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York, once during each calendar week for at least two (2) successive calendar weeks; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Paying Agent/Registrar for inspection by all holders of Parity Bonds. Such publication is not required, however, if notice in writing is given to each holder of Parity Bonds.
- (c) That whenever at any time not less than thirty (30) days, and within one year, from the date of the first publication of said notice or other service of written notice the City shall receive an instrument or instruments executed by the holders of at least a majority in aggregate principal amount of all Parity Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent/Registrar, the City Council may pass the amendatory ordinance in substantially the same form.
- (d) That upon the passage of any amendatory ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory ordinance, and the respective rights, duties and obligations under this Ordinance of the City and all the holders of then outstanding Parity Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.
- (e) That any consent given by the holder of a Parity Bond pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Parity Bond during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice by the holder who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar therefor and the City, but such revocation shall not be effective if the holders of a majority in

aggregate principal amount of the then outstanding Parity Bonds as in this Section defined have, prior to the attempted revocation, consented to and approve the amendment.

- (f) For the purposes of this Section, the ownership and other matters relating to all Parity Bonds registered as to ownership shall be determined from the registration books kept by the registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar. For purposes of this Section, the notional amount attributable to a Credit Agreement that is treated as a Parity Obligation shall be deemed to be the principal amount thereof.
- (g) The foregoing provisions of this Section notwithstanding, the City by action of the City Council may amend this Ordinance for any one or more of the following purposes:
 - (i) To add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to bondholders or to surrender, restrict or limit any right or power herein reserved to or conferred upon the City;
 - (ii) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Ordinance, or in regard to clarifying matters or questions arising under this Ordinance, including, without limitation, those matters described in Section 20.04 hereof, as are necessary or desirable and not contrary to or inconsistent with this Ordinance and which shall not adversely affect the interests of the holders of the Parity Bonds;
 - (iii) To modify any of the provisions of this Ordinance in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all previously issued Parity Bonds outstanding at the date of the adoption of such modification shall cease to be outstanding, and (ii) such modification shall be specifically referred to in the text of all Additional Bonds issued after the date of the adoption of such modification.
 - (iv) To make such amendments to this Ordinance as may be required, in the opinion of Bond Counsel, to ensure compliance with sections 103 and 141 through 150 of the Code and the regulations promulgated thereunder and applicable thereto;
 - (v) To make such changes, modifications or amendments as may be necessary or desirable in order to obtain or maintain the granting of a rating on the Parity Obligations by a Rating Agency or to obtain or maintain a Credit Agreement or a Credit Facility; and
 - (vi) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of interest rate swap agreements, foreign currency exchange agreements, or similar types of agreements with respect to the Parity Obligations.

Notice of any such amendment may be published by the City in the manner described in clause (b) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance.

Bond Insurer Deemed to Be the Owner of Parity Bonds.

Notwithstanding anything in this Ordinance to the contrary, if a Bond Insurer has issued a municipal bond insurance policy in respect to any series of Parity Bonds, such Bond Insurer shall be deemed to be the holder of 100% of the Parity Bonds for which such Bond Insurer has issued and currently maintains a municipal bond insurance policy, and shall be entitled to approve on behalf of such holders of the Parity Bonds any and all amendments to this Ordinance for which less than 100% bondholder consent is required.

APPENDIX D
FORM OF BOND COUNSEL'S OPINION



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[_____], 2025

We have acted as Bond Counsel for the City of Bryan, Texas (the “City”), in connection with the issuance of its Waterworks and Sewer System Revenue Bonds, Series 2025 (the “Bonds”), dated January 1, 2025, in the aggregate principal amount of \$[_____]. The Bonds are authorized by an ordinance adopted by the City Council of the City on December 10, 2024 (the “Bond Ordinance”) authorizing the issuance of the Bonds, and in the pricing certificate dated as of January 14, 2025 (the “Pricing Certificate” and, together with the Bond Ordinance, the “Ordinance”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

In such connection, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Bonds, including the Ordinance, the tax certificate of the City dated the date hereof (the “Tax Certificate”), certificates of the City, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events, or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions, or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds,

the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect. The Bonds constitute the valid and legally binding special obligations of the City, and the Bonds have been authorized and delivered in accordance with law.
2. The Bonds are special obligations of the City and are payable solely from a first lien on and pledge of the Net Revenues of the City's waterworks and sewer system. "Net Revenues" are the revenues to be derived from the operation of the City's waterworks and sewer system after the payment of all operation and maintenance expenses thereof, as described in the Ordinance.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

The City has reserved the right in the Bond Ordinance to issue from time to time additional Parity Bonds which are equally and ratably secured on parity with the Bonds and the Previously Issued Parity Bonds by a first lien on and pledge of the Net Revenues.

Very truly yours,