

CITY OF BRADY, TEXAS

Financial and Compliance Report

For the Year Ended September 30, 2015

CITY OF BRADY, TEXAS

Financial and Compliance Report For the Year Ended September 30, 2015

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INTRODUCTORY SECTION

CITY OF BRADY, TEXAS

City Officials

Anthony Groves..... Mayor
Latricia Doyal Mayor Pro-Tem
Kathy Gloria..... Council Member
Marilyn Gendusa..... Council Member
Shelly Perkins Council Member
Jack Turk..... Council Member
Kim Lenoir..... City Manager
Lisa Remini..... Director of Finance

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Brady, Texas

Report on the Financial Statements

We have audited the accompanying 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 Brady, Texas (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brady, Texas, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note M to the financial statements, in 2015, the City adopted new accounting guidance from *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. This resulted in an adjustment to Net position beginning balance. Our opinion is not modified respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the governmental funds budgetary comparison information, and the Texas Municipal Retirement System Schedule of Funding Progress on pages 5 through 18, 72 through 75, and 76, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other 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 proprietary fund and Economic Development Corporation budgetary comparison information is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

The proprietary fund and Economic Development Corporation budgetary comparison information and the schedule of expenditures of federal and state awards 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 proprietary fund and Economic Development Corporation budgetary comparison information and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, on our consideration of the City of Brady, Texas 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 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 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 of Brady, Texas internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Darrell Boller".

San Antonio, Texas
February 29, 2016

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

This section of the City of Brady, Texas (the City) and Brady Economic Development Corporation (EDC) annual financial and compliance report presents our discussion and analysis of financial performance of the City, the primary government, and EDC, the discretely presented component unit, during the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the City and EDC's audited financial statements, which follow this section.

Financial Highlights

- ❑ The City's assets exceeded liabilities at September 30, 2015 by \$36,540,090. Of this amount \$10,038,238 or 28% of net position, is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- ❑ The City's Total Net Position increased by \$3,064,283 during the year.
- ❑ The total cost of all the City's programs was \$17,052,497, representing a slight increase from last year by \$814,936 or 4.8%.
- ❑ During the year, the City had operating expenses of \$7,465,287 for governmental activities, which was \$2,652,187 more than the \$4,813,100 generated in program and general revenues. Once budgeted transfers from business-type activities of \$3,819,658 are recognized, governmental net position reflects an increase of 13% in the amount of \$1,167,471.
- ❑ The City's business-type activities, after transfers to the general fund, reflect an increase in business-type net assets by \$1,896,813.
- ❑ The City reduced its' total long-term debt obligations by \$498,405 or 5.4%.
- ❑ During the year, the EDC's net position increased by \$73,615 from \$1,276,395 to \$1,350,010.
- ❑ Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions*, went into effect for the 2014 – 2015 fiscal year. The major effects of the implementation were as follows:
 1. A decrease of Government-wide net position of \$1,099,119 as a prior period restatement, reflecting the effect of the new standard to the City's September 30, 2014 net position;
 2. An increase to noncurrent liabilities of \$1,288,360.
 3. An increase to deferred outflows of resources of \$342,619.
 4. An increase to deferred inflows of resources of \$85,096.
 5. A decrease to government-wide expenses of \$278,212.

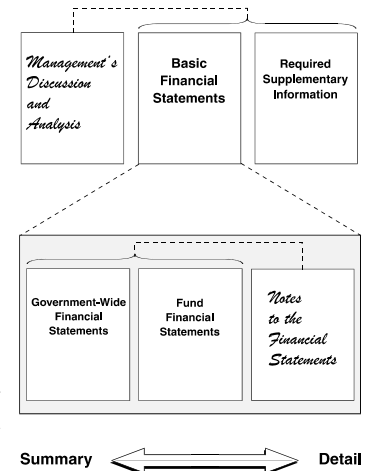
More information regarding the change to pension reporting can be found in Note M to the financial statements.

Overview of the Financial Statements

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *supplemental section (non-required)*. The basic financial statements include two kinds of statements that present different views of the City:

- The first statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*, such as the utility services.

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



Reporting the City as a Whole

The government-wide financial statements are designed to provide readers with a broad overview of the City and EDC's finances, in a manner similar to a private-sector business. The government-wide financial statements can be found on pages 19 through 21 of these financial statements.

- ❑ The statement of net position presents information on all of the City's and EDC's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City and the EDC is improving or deteriorating.
- ❑ The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

One of the most important questions asked about the City's finances, is whether it is better off or worse off as a result of the year's activities. The Statement of Net Position and Statement of Activities report information about the City as a whole and the EDC, and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

In the Statement of Net Position and the Statement of Activities, we divide the City into two types of activities:

- ❑ Governmental activities – Most of the City's basic services are reported here, including the Police Department, EMS, Fire Department, Public Parks, Animal Control, Lake, Building Inspections and Permits, Golf Course, Airport, Streets, Communications, Municipal Court, and General Administration. Property Taxes, Sales Taxes, Hotel Occupancy Taxes, Franchise Taxes, Service Fees, and budgeted transfers from Business-type activities financially support these activities.
- ❑ Business-type activities – The City charges a rate per unit sold to customers to help cover all or most of the cost of certain services it provides. The City's Sewer and Electric, Water, Gas, Utility Support, and Solid Waste departments are reported here.
- ❑ The Statement of Net Position and Statement of Activities include the following component unit activities: Sales Tax Revenue, Rental Income and Interest Income finance these activities.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

Statement of Net Position

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The City's financial position as a whole is stronger compared to fiscal year 2014, as its net position increased by \$3,064,283 or 8.4%. The largest part of the City's net position reflects its investment in capital assets (land, buildings and improvements, infrastructure assets, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 4% of the City's governmental activities net position is subject to restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,299,958 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the fiscal year, the City is able to report positive balances in all categories of net position, both for the government as whole, as well as for business-type activities.

The increase in net position of the City, generated by the results of its primary activities, resulted in a net position of \$36,540,090 as of September 30, 2015. The City's total unrestricted net position of \$10,038,238, the amount that can be used to finance day-to-day operations, increased by 20.3% compared to last year's balance.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2015

The following reflects a comparative condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2015	2014*	2015	2014*	2015	2014*	2015	2014
Current and Other Assets	\$ 3,482,287	\$ 2,095,982	\$ 9,014,849	\$ 11,573,574	\$ 12,497,136	\$ 13,669,556	\$ 1,046,986	\$ 974,815
Capital and Other Long-term Assets	8,284,218	8,662,056	28,014,509	23,935,597	36,298,727	32,597,653	427,483	443,139
Total Assets	<u>11,766,505</u>	<u>10,758,038</u>	<u>37,029,358</u>	<u>35,509,171</u>	<u>48,795,863</u>	<u>46,267,209</u>	<u>1,474,469</u>	<u>1,417,954</u>
Deferred Outflows								
Deferred Pension Related Outflows	243,939	190,026	98,680	76,868	342,619	266,894	-	-
Total Deferred Outflows	<u>243,939</u>	<u>190,026</u>	<u>98,680</u>	<u>76,868</u>	<u>342,619</u>	<u>266,894</u>	<u>-</u>	<u>-</u>
Current Liabilities	623,177	737,691	1,796,988	1,625,709	2,420,165	2,363,400	123,255	24,576
Non-Current Liabilities	2,484,435	2,535,599	7,608,696	8,159,297	10,093,131	10,694,896	1,204	116,983
Total Liabilities	<u>3,107,612</u>	<u>3,273,290</u>	<u>9,405,684</u>	<u>9,785,006</u>	<u>12,513,296</u>	<u>13,058,296</u>	<u>124,459</u>	<u>141,559</u>
Deferred Inflows								
Deferred Pension Related Inflows	60,587	-	24,509	-	85,096	-	-	-
Total Deferred Inflows	<u>60,587</u>	<u>-</u>	<u>24,509</u>	<u>-</u>	<u>85,096</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:								
Invested in Capital Assets, Net of Related Debt	6,209,688	6,746,786	15,850,083	15,100,029	22,059,771	21,846,815	238,344	347,682
Restricted	332,599	241,591	4,109,482	3,386,561	4,442,081	3,628,152	-	-
Unrestricted	2,299,958	686,397	7,738,280	7,314,443	10,038,238	8,000,840	1,111,666	928,713
TOTAL NET POSITION	<u>\$ 8,842,245</u>	<u>\$ 7,674,774</u>	<u>\$ 27,697,845</u>	<u>\$ 25,801,033</u>	<u>\$ 36,540,090</u>	<u>\$ 33,475,807</u>	<u>\$ 1,350,010</u>	<u>\$ 1,276,395</u>

*Note: Comparative information restated for adoption of GASB No. 68. See Note M for more detail.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

Statement of Activities

The following reflects a comparative statement of changes in net position of the primary government:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2015	2014*	2015	2014*	2015	2014*	2015	2014
Revenues								
Program Revenues:								
Charges for Services	\$ 1,685,018	\$ 1,482,589	\$ 13,450,200	\$ 13,068,087	\$ 15,135,218	\$ 14,550,676	\$ 31,844	\$ 56,201
Grants and Contributions	679,748	587,444	1,839,426	350,000	2,519,174	937,444	-	-
General Revenues:								
Property Taxes	737,747	670,463	-	-	737,747	670,463	-	-
Sales Taxes	1,359,667	1,186,529	-	-	1,359,667	1,186,529	266,967	228,188
Other Taxes	277,716	271,621	-	-	277,716	271,621	-	-
Investment Earnings	56,631	42,083	11,800	17,006	68,431	59,089	7,126	9,022
Other Revenue	4,400	2,629	-	-	4,400	2,629	-	-
Gain(Loss) on Disposal of Assets	12,173	700	2,255	-	14,428	700	-	-
Donations	-	-	-	-	-	-	3,970	-
Donated Assets	-	6,750	-	-	-	6,750	-	-
TOTAL REVENUES	4,813,100	4,250,808	15,303,681	13,435,093	20,116,781	17,685,901	309,907	293,411
Expenses								
Utility Enterprises	-	-	9,587,210	8,931,035	9,587,210	8,931,035	-	-
General Government	1,076,696	969,032	-	-	1,076,696	969,032	-	-
Public Safety	2,767,660	2,813,560	-	-	2,767,660	2,813,560	-	-
Streets	625,611	670,999	-	-	625,611	670,999	-	-
Recreation and Leisure	2,215,813	1,953,189	-	-	2,215,813	1,953,189	-	-
Community Development	727,905	845,592	-	-	727,905	845,592	-	-
Interest and Amortization	51,602	54,154	-	-	51,602	54,154	-	-
Component Unit	-	-	-	-	-	-	236,292	143,944
TOTAL EXPENSES	7,465,287	7,306,526	9,587,210	8,931,035	17,052,497	16,237,561	236,292	143,944
Excess (Deficiency) before Transfers	(2,652,187)	(3,055,718)	5,716,471	4,504,058	3,064,284	1,448,340	73,615	149,467
Transfers	3,819,658	2,631,524	(3,819,658)	(2,631,524)	-	-	-	-
Increase (Decrease) in Net Position	1,167,471	(424,194)	1,896,813	1,872,534	3,064,284	1,448,340	73,615	149,467
Net Position - Beginning	8,457,335	8,985,295	26,117,590	24,350,315	34,574,925	33,335,610	1,276,395	1,126,928
Prior Period Adjustments**	(782,561)	(103,766)	(316,558)	(105,257)	(1,099,119)	(209,023)	-	-
Net Position - Beginning as Restated	7,674,774	8,881,529	25,801,032	24,245,058	33,475,806	33,126,587	1,276,395	1,126,928
Net Position - Ending	\$ 8,842,245	\$ 8,457,335	\$ 27,697,845	\$ 26,117,592	\$ 36,540,090	\$ 34,574,927	\$ 1,350,010	\$ 1,276,395

*Note: Comparative information for 2014 has not been restated for the effects of the adoption of GASB Statement No. 68 as information is not available to restate.

**Note: Prior period adjustments in fiscal year 2015 represents the effects of GASB 68. Prior period adjustments in fiscal year 2014 represents the effects of GASB 65.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

Total Primary Government Activities

Overall, total primary government revenues for fiscal year 2015 increased by \$2,430,880 or 12.1% compared to fiscal year 2014 due primarily to an increase in charges for services in the amount of \$202,429 for governmental activities and grants and contributions of \$1,489,426 for business-type activities.

Overall, total primary government expenditures increased by \$814,936 or 4.8%; primarily as the result of increased business-type activities costs in the amount of \$656,175.

Governmental Activities

The result of fiscal year 2015 governmental activity records an increase of \$1,167,471, after a \$3,819,658 transfer from proprietary funds, in net position, to \$8,842,245. Of the total governmental activities' net position, \$6,209,688 is invested in capital assets, net of related debt, and \$2,299,958 is unrestricted, that is, having no legal commitment.

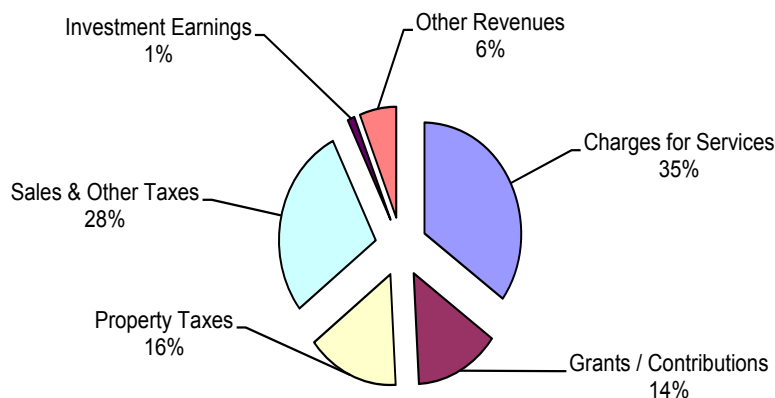
Governmental activities reflect a 12% increase in charges for services revenue due largely to an increase in military fuel sales in the amount of \$166,463 compared to last year.

The City continues to secure grant awards, and was given \$679,748 to fund specific capital infrastructure improvements during fiscal year 2015. Sales tax revenues continue an upward trend, reflecting a modest 13% increase, or \$173,138 more compared to 2014 collections.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

Revenues – Governmental Activities Fiscal Year Ending September 30, 2015



For fiscal year 2015, the majority of governmental revenues were derived from four revenue sources: charges for services, sales and other taxes, property taxes, and grants/contributions. Collectively, they provided for 93% of the governmental program revenues mix.

Charges for services are fee collections set by the City Council for specific activities by the end-user. Airport services make up \$579,750 or 34% of the \$1,685,018 total amount collected for services this year. Fuel sales to the military continue to comprise a significant portion of the airport revenues. EMS services generated \$551,042 or 33% of the total dollars charged for services this year. The lake department generated rental fees and donations in the amount of \$133,256 or 8% of the total charged for services this year. Other charges for services include golf course fees, municipal court fines, right of way fees, cemetery lot sales and fees, and collections for senior citizen meals. The combined revenues from the aforementioned represent the remaining 25% of total service charge revenues.

The City received \$1,359,667 in sales tax revenues, which is a 13% increase from last year's total collections. Included in other taxes are hotel occupancy tax collections of \$236,149 that were passed on to the Chamber of Commerce, Heart of Texas (HOT) Historical museum, and HOT Country Music museum for the promotion of tourism to enhance sales tax dollars to the City.

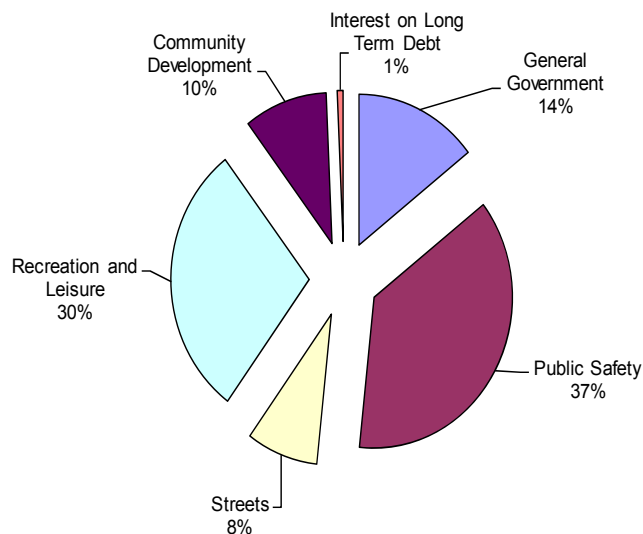
Grant/contribution revenue increased by \$92,304 from last year due to the City receiving more grants as compared to the prior year.

The City maintains a low property tax rate at \$0.30439 per \$100 of 2014 values; and collected \$737,747 in property tax revenue.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

Expenses – Governmental Activities Fiscal Year Ending September 30, 2015



The relative mix of governmental expenditure activities remains similar to last fiscal year. Public safety and recreation and leisure continue to be the largest governmental activities expending, \$2,767,660 and \$2,215,813, respectively, of the \$7,465,287 in total costs for all governmental programs. The airport, parks, golf course, swimming pool, civic center, lake, and G. Rollie White complex are included in the recreation and leisure category. The fire, EMS, police, animal control, municipal court, and building and inspection departments are included in the public safety category.

The remaining 33% of expenditures is closely divided among general and administrative costs totaling \$1,076,696, community development totaling \$727,905, street maintenance totaling \$625,611, and interest and amortization totaling \$51,602.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

Business-Type Activities

The business-type activities increased the City's net position by \$1,896,813.

Of the total business-type activities' net position, \$15,850,083 is invested in capital assets, net of related debt, and \$7,738,280 is unrestricted, that is, having no legal commitment. In addition, it maintains fully funded restricted reserve levels of \$107,559 for debt service requirements and \$4,001,923 for State and Federally fund projects.

The business-type activities include water, sewer and electric, and solid waste operations, and gas distribution operations.

The cost of all business-type activities this year increased by 7% to \$9,587,210. As shown in the statement of activities, the amounts charged to users of the utility services totaled \$13,450,200. Due to varying weather conditions, consumption sales increased from last year, reflecting a 3% increase or \$382,113 in total services charged for the business-type activities. Additional revenue sources included investment earnings of \$11,800 and Grants and Contributions totaling \$1,839,426. In total, excess revenues over expenditures for the year was \$5,716,471.

The City historically transfers excess revenues from the business-type activities to the governmental funds as needed to cover the cost of governmental services. Transfers in the amount of \$3,819,658 were posted this fiscal year to provide for the City's governmental program costs.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

Reporting the City's Most Significant Funds

Analysis of the City's major funds begins on page 22. The fund financial statements, found on 22 through 31 of the audit report, provide detailed information about the most significant funds. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- ❑ Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in near future to finance the City's programs. We describe the relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations at the bottom of the fund financial statements.
- ❑ Proprietary funds- When the City charges customers for the services it provides – with intent to cover all costs of the service provided – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

In summary, fund financial statements are considered the traditional method of portraying available funds for immediate spending needs. It is a relative measure of a City government's ability to meet General fund program costs in the near future. Therefore, the City's fund balance does not reflect the equity value of the long-term investment the City has in its infrastructure and capital assets. The statement of net position and the statement of activities are therefore designed to reflect the value of all capital assets of the City, so that the total net position amounts compare similarly to a private entity's retained earnings.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

FUND FINANCIAL STATEMENT ANALYSIS

Governmental Type Funds

The City reports a combined governmental fund balance of \$3,465,614, reflecting an increase of \$1,643,631 in comparison with the previous year. Unassigned fund balance equals \$3,097,666 and is available for spending at the government's discretion. The remainder of fund balance is restricted or nonspendable to indicate that it is not available for new spending because it has already been committed to provide payment for long-term debt obligations and community projects.

As stated earlier, 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. The Government Finance Officers Association recommends, at a minimum, that governmental unassigned fund balances be maintained at no less than two months of regular general fund operational revenues or expenditures. The City's current general unassigned fund balance is considered adequate as it represents nine months of general fund operating revenues, and six months of general operating expenditures.

Business Type Funds

The City's business-type fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The City is the owner of the Electric /Sewer, Water, Gas, and Solid Waste distribution enterprises. Each enterprise is considered a major fund.

All funds recorded a positive net change in assets for fiscal year 2015 and all funds continue to maintain a healthy level of unrestricted fund balances ranging from 3 to 12 months of operating revenues and 5 to 19 months of operating expenditures.

COMPONENT UNIT

Component units are legally separate entities from the City, but were organized to benefit the City. There was one component unit at September 30, 2015, and additional information is presented in the basic financial statements and the notes to the financial statements.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

NOTES TO FINANCIAL STATEMENTS OVERVIEW

Notes to the financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

Capital Assets

The City has invested in a broad range of capital assets, including land, buildings, fixtures, various equipment, vehicles, park and landfill facilities, streets, water, sewer, electric, and gas infrastructure systems. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015 is \$30,859,422, net of accumulated depreciation. The majority, 83%, of the City's capital assets is invested in buildings, improvements, and infrastructure.

Governmental activities report the addition of \$304,085 in various capital enhancements, including police software, ambulance cots, vehicle for the police department, and various equipment purchases.

Business activities report additions of \$289,651 in capital assets. Various infrastructure improvements were made in the electric, water, and solid waste departments, a trash truck, and several vehicles were purchased.

Principal projects for governmental activities include purchasing enhancing city infrastructure. Principal projects for the business-type activities are providing for a new wastewater treatment plant and a new metering system.

The following is a summary statement of the City's capital assets as of September 30, 2015:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2015	2014	2015	2014	2015	2014	2015	2014
Land	\$ 735,484	\$ 735,484	\$ 84,829	\$ 84,829	\$ 820,313	\$ 820,313	\$ 13,643	\$ 9,673
Buildings	7,549,303	7,556,139	15,541,493	15,541,493	23,090,796	23,097,632	452,953	452,953
Equipment	2,151,216	1,989,365	2,773,403	2,803,877	4,924,619	4,793,242	-	-
Vehicles	1,078,215	1,041,569	841,896	552,245	1,920,111	1,593,814	-	-
Infrastructure	9,216,785	9,204,573	14,292,781	15,847,412	23,509,566	25,051,985	-	-
Construction in Progress	293,064	86,814	1,588,452	895,866	1,881,516	982,680	-	-
Less:								
Accumulated Depreciation	(13,072,448)	(12,171,190)	(12,215,051)	(13,023,601)	(25,287,499)	(25,194,791)	(112,473)	(92,002)
Total	\$ 7,951,619	\$ 8,442,754	\$ 22,907,803	\$ 22,702,121	\$ 30,859,422	\$ 31,144,875	\$ 354,123	\$ 370,624

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

Debt Administration

At September 30, 2015, the City's total bonds, notes and capital leases outstanding reflect a decrease of \$498,405 compared to prior year. In reviewing Business-type Activities, two notes in the amount of \$289,646 were issued.

All scheduled payments were met according to terms.

As of June 26, 2015 the City received a credit rating of AA- from Standard and Poor's rating service.

The following is a summary statement of outstanding debt as of September 30, 2015:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2015	2014	2015	2014	2015	2014	2015	2014
General Obligation Refunding Bonds	\$ 1,381,800	\$ 1,600,700	\$ 28,200	\$ 29,300	\$ 1,410,000	\$ 1,630,000	\$ -	\$ -
Certificates of Obligations	-	-	4,870,000	5,325,000	4,870,000	5,325,000	-	-
Notes to Financial Institutions	30,800	-	1,644,785	2,023,574	1,675,585	2,023,574	115,779	138,721
Equipment Capital Leases	329,331	95,268	514,738	224,217	844,069	319,485	-	-
Total Bonds, Notes, and Capital Leases	<u>\$ 1,741,931</u>	<u>\$ 1,695,968</u>	<u>\$ 7,057,723</u>	<u>\$ 7,602,091</u>	<u>\$ 8,799,654</u>	<u>\$ 9,298,059</u>	<u>\$ 115,779</u>	<u>\$ 138,721</u>

Total compensated absences for Governmental Funds are \$77,342 and \$24,790 for Business activities.

General Fund Budgetary Highlights

The City's budget is a dynamic document. Once adopted in September of each year, the Council may approve budgetary amendments during the course of the fiscal year to recognize changes in operational demands.

Final budget comparisons to actual performance are considered reasonable and reflect that final budget projections trailed total general fund revenues by \$43,157, and total expenditures were under budget by \$1,035,379, resulting in a net variance to the final budget of \$992,222 before transfers.

The original revenue projections for the general fund budget were increased at the mid-year budget review by \$352,503. Due to higher than expected expenditure costs, budgeted transfers from the utility funds to support the general fund operations were higher than expected by \$488,733.

The original expenditure projections for the general fund budget were also adjusted mid-year by increasing expenditures by \$509,863. The budget was primarily adjusted to reflect additional capital asset purchases made during the fiscal year. Overall, year-end actual performance was greater than the final budget numbers, as mid-year cost projections did not fully materialize.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged. One of those factors is the economy.

The City's local economy is centered in agri-businesses and manufacturing of sand products. The economic outlook for Brady/McCulloch County is considered weak, but mostly stable. Implementing federally mandated infrastructure improvements to the City's wastewater and water systems is a top priority. These factors were taken into account when adopting the General Fund budget for fiscal year 2016. Council adopted utility rate increases for the water and wastewater systems, along with a small rate increase for the trash services. Cost efficiencies to support the 2016 Budget were prompted by limiting capital expenditures. The Council adopted a balance budget to ensure a stable fund balance position is maintained.

The EDC adopted a budget that was approved by the City Council for fiscal year 2016 that prioritizes the funding for construction of the Civic Center remodel to comply with the vote by the citizens.

Request for Information

This financial report is designed to provide a general overview of the City and EDC's finances for all 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 Finance Officer, Lisa Remini or City Manager, Kim Lenoir at the City of Brady, 201 East Main, 325-597-2152.

BASIC FINANCIAL STATEMENTS

CITY OF BRADY, TEXAS

Statement of Net Position
As of September 30, 2015

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-Type Activities	TOTAL	Component Unit
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 3,218,809	\$ 8,168,271	\$ 11,387,080	\$ 1,046,986
Receivables, Net of Allowances	228,129	689,131	917,260	-
Inventory	28,966	151,087	180,053	-
Prepaid Expenses	6,383	6,360	12,743	-
Total Current Assets	3,482,287	9,014,849	12,497,136	1,046,986
Noncurrent Assets				
Restricted Cash and Cash Equivalents	332,599	5,105,532	5,438,131	-
Other Receivables, Net	-	-	-	73,360
Bond Insurance Premium, Net of Amortization	-	1,174	1,174	-
Land	735,484	84,829	820,313	13,643
Construction in Progress	293,064	1,588,452	1,881,516	-
Property and Equipment, Net of Depreciation	6,923,071	21,234,522	28,157,593	340,480
Total Noncurrent Assets	8,284,218	28,014,509	36,298,727	427,483
Total Assets	11,766,505	37,029,358	48,795,863	1,474,469
DEFERRED OUTFLOWS				
Deferred Pension Related Outflows	243,939	98,680	342,619	-
Total Deferred Outflows	243,939	98,680	342,619	-
LIABILITIES				
Current Liabilities				
Accounts Payable	312,310	909,093	1,221,403	6,726
Accrued Expenses	8,478	-	8,478	-
Interest Payable	15,366	15,756	31,122	750
Other Payables	-	31,213	31,213	-
Bonds, Notes, and Leases Payable	287,023	840,926	1,127,949	115,779
Total Current Liabilities	623,177	1,796,988	2,420,165	123,255
Noncurrent Liabilities				
Accrued Compensated Absences	77,342	24,790	102,132	-
Bond Premium, Net of Amortization	34,888	-	34,888	-
Landfill Closure	-	343,654	343,654	-
Customer Deposits	-	652,395	652,395	-
Deferred Revenues	-	-	-	1,204
Net Pension Liability	917,297	371,063	1,288,360	-
Bonds, Notes, and Leases Payable	1,454,908	6,216,794	7,671,702	-
Total Noncurrent Liabilities	2,484,435	7,608,696	10,093,131	1,204
Total Liabilities	3,107,612	9,405,684	12,513,296	124,459
DEFERRED INFLOWS				
Deferred Pension Related Inflows	60,587	24,509	85,096	-
Total Deferred Inflows	60,587	24,509	85,096	-
NET POSITION				
Invested in Capital Assets, Net of Related Debt	6,209,688	15,850,083	22,059,771	238,344
Restricted	332,599	4,109,482	4,442,081	-
Unrestricted	2,299,958	7,738,280	10,038,238	1,111,666
Total Net Position	\$ 8,842,245	\$ 27,697,845	\$ 36,540,090	\$ 1,350,010

CITY OF BRADY, TEXAS

Statement of Activities For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Administration	\$ 601,248	\$ 41,281	\$ -	\$ -
Airport	1,148,476	579,750	-	48,109
Public Property Maintenance	418,080	44,027	700	-
Mayor and Council	18,582	-	-	-
Golf Course	293,652	104,574	13,207	-
Swimming Pool	89,194	23,562	-	-
Fire Department	744,571	8,697	78,000	-
Police Department	747,270	12,224	11,500	-
Emergency Operations	25,982	-	47,000	-
Communications	274,225	-	-	-
Community Services Administration	103,583	36,012	-	-
Street Department	625,611	11,469	-	-
Civic Center	21,450	11,900	150,000	-
Municipal Court	72,636	48,306	-	-
Community Services	2,093	-	-	-
Repair Shop	56,420	-	-	-
Animal Control	72,520	204	-	-
EMS	721,962	551,042	80,000	-
Lake Department	212,150	133,256	-	-
Financial Administration	244,148	2,784	-	-
Building Inspection and Permits	108,494	21,160	-	-
G. Rollie White Complex	32,811	125	-	-
Purchasing	52,715	-	-	-
Special Revenue Fund	725,812	54,645	248,932	2,300
Interest on Long-Term Debt	51,602	-	-	-
Total Governmental Activities	7,465,287	1,685,018	629,339	50,409
Business-Type Activities				
Sewer	423,089	782,712	-	-
Electric	5,549,485	8,328,575	-	-
Water	1,288,024	1,731,234	-	1,804,000
Gas	985,053	1,484,651	-	-
Solid Waste	862,207	961,691	-	-
Utility Support	479,352	161,337	-	35,426
Total Business-Type Activities	9,587,210	13,450,200	-	1,839,426
Total Primary Government	\$ 17,052,497	\$ 15,135,218	\$ 629,339	\$ 1,889,835
Total Component Unit	\$ 236,292	\$ 31,844	\$ -	\$ -

General Revenues

Taxes

Property Taxes, Levied for General Purposes

Sales Taxes

Franchise Taxes

Mixed Beverage Taxes

Hotel Occupancy Taxes

Interest Revenue

Miscellaneous

Gain (Loss) on the Disposal of Capital Assets

Donations

Transfers

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustments

Net Position - Beginning as Restated

Net Position - Ending

CITY OF BRADY, TEXAS

Balance Sheet Governmental Funds As of September 30, 2015

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Total Component Unit
\$ (559,967)	\$ -	\$ (559,967)	\$ -
(520,617)	-	(520,617)	-
(373,353)	-	(373,353)	-
(18,582)	-	(18,582)	-
(175,871)	-	(175,871)	-
(65,632)	-	(65,632)	-
(657,874)	-	(657,874)	-
(723,546)	-	(723,546)	-
21,018	-	21,018	-
(274,225)	-	(274,225)	-
(67,571)	-	(67,571)	-
(614,142)	-	(614,142)	-
140,450	-	140,450	-
(24,330)	-	(24,330)	-
(2,093)	-	(2,093)	-
(56,420)	-	(56,420)	-
(72,316)	-	(72,316)	-
(90,920)	-	(90,920)	-
(78,894)	-	(78,894)	-
(241,364)	-	(241,364)	-
(87,334)	-	(87,334)	-
(32,686)	-	(32,686)	-
(52,715)	-	(52,715)	-
(419,935)	-	(419,935)	-
(51,602)	-	(51,602)	-
<u>(5,100,521)</u>	<u>-</u>	<u>(5,100,521)</u>	<u>-</u>
-	359,623	359,623	-
-	2,779,090	2,779,090	-
-	2,247,210	2,247,210	-
-	499,598	499,598	-
-	99,484	99,484	-
-	(282,589)	(282,589)	-
<u>-</u>	<u>5,702,416</u>	<u>5,702,416</u>	<u>-</u>
<u>\$ (5,100,521)</u>	<u>\$ 5,702,416</u>	<u>\$ 601,895</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (204,448)</u>
737,747	-	737,747	-
1,359,667	-	1,359,667	266,967
40,250	-	40,250	-
1,317	-	1,317	-
236,149	-	236,149	-
56,631	11,800	68,431	7,126
4,400	-	4,400	-
12,173	2,255	14,428	-
-	-	-	3,970
3,819,658	(3,819,658)	-	-
<u>6,267,992</u>	<u>(3,805,603)</u>	<u>2,462,389</u>	<u>278,063</u>
1,167,471	1,896,813	3,064,284	73,615
8,457,335	26,117,590	34,574,925	1,276,395
(782,561)	(316,558)	(1,099,119)	-
<u>7,674,774</u>	<u>25,801,032</u>	<u>33,475,806</u>	<u>1,276,395</u>
<u>\$ 8,842,245</u>	<u>\$ 27,697,845</u>	<u>\$ 36,540,090</u>	<u>\$ 1,350,010</u>

CITY OF BRADY, TEXAS

Balance Sheet Governmental Funds As of September 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 3,262,034	\$ 289,374	\$ 3,551,408
Receivables, Net of Allowances:			
Property Taxes	40,026	-	40,026
Accounts	81,045	107,058	188,103
Inventory	28,966	-	28,966
Prepays	6,383	-	6,383
Total Assets	<u>\$ 3,418,454</u>	<u>\$ 396,432</u>	<u>\$ 3,814,886</u>
LIABILITIES			
Accounts Payable	\$ 277,343	\$ 34,967	\$ 312,310
Accrued Expenses	8,478	-	8,478
Total Liabilities	<u>285,821</u>	<u>34,967</u>	<u>320,788</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>28,484</u>	<u>-</u>	<u>28,484</u>
FUND BALANCES			
Fund Balance:			
Nonspendable	35,349	-	35,349
Restricted	43,225	289,374	332,599
Unassigned	3,025,576	72,090	3,097,666
Total Fund Balance	<u>3,104,150</u>	<u>361,464</u>	<u>3,465,614</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,418,455</u>	<u>\$ 396,431</u>	

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

Some assets used in governmental activities are not financial resources and therefore
are not reported in the funds:

 Capital Assets, Net of Accumulated Depreciation of \$13,072,448 7,951,619

Net pension assets (and related deferred inflows and outflows of resources) do not provide
current financial resources and are not reported in the funds.

 Pension Related Deferred Outflows 243,939
 Pension Related Deferred Inflows (60,587)
 Net Pension Liability (917,297)

Some of the City's revenues will be collected after year-end but are not available soon
enough to pay for the current period's expenditures and therefore are not reported
in the funds

28,484

Some liabilities are not due and payable in the current period and therefore
are not reported in the funds:

 Notes, Bonds, and Capital Leases (1,741,931)
 Bond Premium, Net of Amortization (34,888)
 Interest Payable (15,366)
 Accrued Compensated Absences (77,342)
Net Position of Governmental Activities \$ 8,842,245

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Property Tax	\$ 743,197	\$ -	\$ 743,197
Sales Tax	1,093,162	266,505	1,359,667
Franchise Tax	40,250	-	40,250
Occupancy Tax	-	236,150	236,150
Mixed Beverage Tax	1,317	-	1,317
Interest Income	56,631	-	56,631
Miscellaneous Revenue	4,400	-	4,400
Reimbursed Expenses	22,628	82	22,710
Administrative	38,583	-	38,583
Airport	575,715	23,811	599,526
Public Property Maintenance	43,727	-	43,727
Golf Course	104,258	-	104,258
Swimming Pool	23,513	-	23,513
Fire Department	86,480	-	86,480
Police Department	8,356	-	8,356
Emergency Operations	47,000	-	47,000
Community Services Administration	36,000	-	36,000
Street Department	3,881	-	3,881
Civic Center	161,900	-	161,900
Pass-Through Services	-	3,931	3,931
Senior Citizen Program	-	26,821	26,821
Municipal Court	48,253	-	48,253
Animal Control	204	-	204
City/County EMS	630,268	-	630,268
Lake Department	133,024	-	133,024
G.R. White Complex	125	-	125
Community Development	-	-	-
Building Inspection and Permits	21,158	-	21,158
Donations	25,707	150,000	175,707
Grant Revenues	48,109	101,232	149,341
Total Revenues	\$ <u>3,997,846</u>	\$ <u>808,532</u>	\$ <u>4,806,378</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended September 30, 2015

	General Fund	Special Revenue Fund	Total Governmental Funds
EXPENDITURES			
Current:			
Administration	\$ 576,130	\$ -	\$ 576,130
Airport	737,109	-	737,109
Public Property Maintenance	308,168	-	308,168
Mayor and Council	18,582	-	18,582
Golf Course	262,630	-	262,630
Swimming Pool	89,194	-	89,194
Fire Department	743,857	-	743,857
Police Department	709,575	-	709,575
Emergency Operations	15,362	-	15,362
Communications	275,253	-	275,253
Community Services Administration	103,983	-	103,983
Street Department	387,193	-	387,193
Civic Center	20,904	-	20,904
Pass-Through Services	-	456,186	456,186
Senior Citizens Program	-	251,390	251,390
Municipal Court	71,410	-	71,410
Community Services	2,093	-	2,093
Repair Shop	56,698	-	56,698
Animal Control	47,605	-	47,605
City/County EMS	688,038	-	688,038
Lake Department	184,740	-	184,740
G.R. White Complex	26,075	-	26,075
Purchasing	53,445	-	53,445
Financial Administration	246,660	-	246,660
Community Development	-	17,942	17,942
Building Inspection and Permits	110,142	-	110,142
Capital Outlay	472,983	59,629	532,612
Debt Service:			
Principal	283,904	-	283,904
Interest	47,565	-	47,565
Total Expenditures	<u>6,539,298</u>	<u>785,147</u>	<u>7,324,445</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,541,452)	23,385	(2,518,067)
Other Financing Sources (Uses)			
Lease Proceeds	329,867	-	329,867
Sale of Fixed Assets	12,173	-	12,173
Transfers In	3,680,369	146,665	3,827,034
Transfers Out	-	(7,376)	(7,376)
Total Other Financing Sources (Uses)	<u>4,022,409</u>	<u>139,289</u>	<u>4,161,698</u>
Change in Fund Balances	1,480,957	162,674	1,643,631
Total Net Position - Beginning of Year	1,623,193	198,790	1,821,983
Total Fund Balances - End of Year	<u>\$ 3,104,150</u>	<u>\$ 361,464</u>	<u>\$ 3,465,614</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued) Governmental Funds For the Year Ended September 30, 2015

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Net Change in Fund Balances - Total Governmental Funds	\$	1,643,631
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	532,612
Depreciation Expense	(1,001,470)

Lease and bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Lease Proceeds	(329,867)
Bond Premium	(34,888)
Bond and Lease Principal Payments	283,904
Deferred Interest on Refunded Bond	6,738
Amortization of Bond Insurance Premium	(2,152)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Tax Revenue	5,450
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The change in net position liability and deferred inflows and outflows related to the City's TMRS pension liability:	48,615
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These amounts were reclassified from the statement of net position and expensed in the current year.	(22,277)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Interest Expense	15,366
Accrued Compensated Absences	21,809

Change in Net Position of Governmental Activities	\$	<u>1,167,471</u>
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CITY OF BRADY, TEXAS

Statement of Net Position
Proprietary Funds
As of September 30, 2015

	Sewer and Electric	Water Department	Gas Department
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 4,763,590	\$ 1,100,167	\$ 1,466,737
Receivables:			
Accounts, Net	471,693	115,009	33,046
Other	-	-	-
Inventory	-	-	-
Prepaid Expenses	-	2,135	705
Total Current Assets	<u>5,235,283</u>	<u>1,217,311</u>	<u>1,500,488</u>
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents	2,005,006	2,104,477	-
Bond Insurance Premium, Net of Amortization	1,174	-	-
Capital Assets:			
Land	12,397	4,532	500
Construction in Progress	765,015	823,437	-
Property & Equipment	7,544,420	19,109,327	2,264,658
Accumulated Depreciation	<u>(5,067,290)</u>	<u>(4,920,349)</u>	<u>(606,494)</u>
Total Noncurrent Assets	<u>5,260,722</u>	<u>17,121,424</u>	<u>1,658,664</u>
Total Assets	<u>10,496,005</u>	<u>18,338,735</u>	<u>3,159,152</u>
DEFERRED OUTFLOWS			
Deferred Pension Related Outflows	28,601	21,474	11,106
Total Deferred Outflows	<u>28,601</u>	<u>21,474</u>	<u>11,106</u>
LIABILITIES			
Current			
Accounts Payable	621,512	171,857	68,682
Interest Payable	4,274	8,380	2,848
Other Payables	-	-	-
Bonds, Notes and Leases Payable	183,156	475,504	66,534
Total Current Liabilities	<u>808,942</u>	<u>655,741</u>	<u>138,064</u>
Noncurrent			
Accrued Compensated Absences	10,209	4,674	1,829
Landfill Closure	-	-	-
Utility Deposits	-	-	-
Net Pension Liability	107,550	80,747	41,761
Bonds, Notes and Leases Payable	1,322,074	4,236,169	378,358
Total Noncurrent Liabilities	<u>1,439,833</u>	<u>4,321,590</u>	<u>421,948</u>
Total Liabilities	<u>2,248,775</u>	<u>4,977,331</u>	<u>560,012</u>
DEFERRED INFLOWS			
Deferred Pension Related Inflows	7,104	5,333	2,759
Total Deferred Inflows	<u>7,104</u>	<u>5,333</u>	<u>2,759</u>
NET POSITION			
Net Position, Invested in Capital Assets,			
Net of Related Debt	1,749,312	10,305,274	1,213,772
Restricted Net Position	2,005,006	2,104,476	-
Unrestricted Net Assets	<u>4,514,409</u>	<u>967,795</u>	<u>1,393,715</u>
Total Net Position	<u>\$ 8,268,727</u>	<u>\$ 13,377,545</u>	<u>\$ 2,607,487</u>

CITY OF BRADY, TEXAS

Statement of Net Position (Continued)
 Proprietary Funds
 As of September 30, 2015

<u>Solid Waste</u>	<u>Utility Support</u>	<u>Totals</u>
\$ 573,023	\$ 264,754	\$ 8,168,271
46,179	7,027	672,954
-	16,177	16,177
-	151,087	151,087
3,520	-	6,360
<u>622,722</u>	<u>439,045</u>	<u>9,014,849</u>
343,654	652,395	5,105,532
-	-	1,174
67,400	-	84,829
-	-	1,588,452
1,696,507	2,834,661	33,449,573
<u>(1,282,750)</u>	<u>(338,168)</u>	<u>(12,215,051)</u>
<u>824,811</u>	<u>3,148,888</u>	<u>28,014,509</u>
<u>1,447,533</u>	<u>3,587,933</u>	<u>37,029,358</u>
25,280	12,219	98,680
<u>25,280</u>	<u>12,219</u>	<u>98,680</u>
13,952	33,090	909,093
282	(28)	15,756
-	31,213	31,213
<u>110,573</u>	<u>5,159</u>	<u>840,926</u>
<u>124,807</u>	<u>69,434</u>	<u>1,796,988</u>
5,574	2,504	24,790
343,654	-	343,654
-	652,395	652,395
95,056	45,949	371,063
<u>268,286</u>	<u>11,907</u>	<u>6,216,794</u>
<u>712,570</u>	<u>712,755</u>	<u>7,608,696</u>
<u>837,377</u>	<u>782,189</u>	<u>9,405,684</u>
6,278	3,035	24,509
<u>6,278</u>	<u>3,035</u>	<u>24,509</u>
102,298	2,479,427	15,850,083
-	-	4,109,482
<u>526,860</u>	<u>335,501</u>	<u>7,738,280</u>
\$ <u>629,158</u>	\$ <u>2,814,928</u>	\$ <u>27,697,845</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended September 30, 2015

	Sewer and Electric	Water Department	Gas Department
OPERATING REVENUES			
Charges for Services:			
Electrical Distribution	\$ 8,326,181	\$ -	\$ -
Wastewater	782,712	-	-
Water Department	-	1,725,413	-
Gas Department	-	-	1,484,352
Solid Waste	-	-	-
Street Sanitation	-	-	-
Utility Support	-	-	-
Grant Revenue	-	1,804,000	-
Reimbursed Expenses	2,394	5,821	299
Total Operating Revenues	<u>9,111,287</u>	<u>3,535,234</u>	<u>1,484,651</u>
OPERATING EXPENSES			
Sewer and Electric Department			
Power Plant	5,648	-	-
Electrical Distribution	5,387,166	-	-
Wastewater	326,417	-	-
Water Department			
Public Works Administration	-	70,813	-
Water	-	683,855	-
Gas Department			
Gas	-	-	869,990
Solid Waste Department			
Solid Waste	-	-	-
Street Sanitation	-	-	-
Utility Support:			
Administration	-	-	-
Meter Shop	-	-	-
Billing-Collection	-	-	-
Bad Debt Expense	28,262	3,501	2,504
Depreciation	191,770	486,050	97,492
Total Operating Expenses	<u>5,939,263</u>	<u>1,244,219</u>	<u>969,986</u>
Operating Income (Loss)	3,172,024	2,291,015	514,665
NON-OPERATING REVENUES (EXPENSES)			
Gain (Loss) on the Disposal of Capital Assets	1,000	-	1,255
Interest Income	2,363	4,040	290
Interest Expense	(33,311)	(43,805)	(15,067)
Total Non-Operating Revenues (Expenses)	<u>(29,948)</u>	<u>(39,765)</u>	<u>(13,522)</u>
Income (Loss) Before Transfers	3,142,076	2,251,250	501,143
Transfers In	221,260	2,300	-
Transfers Out	(2,645,771)	(1,221,500)	(389,016)
Change in Net Position	717,565	1,032,050	112,127
Total Net Position - Beginning	7,642,915	12,414,381	2,530,987
Prior Period Adjustment	(91,753)	(68,886)	(35,627)
Restated Beginning	7,551,162	12,345,495	2,495,360
Total Net Position - Ending	<u>\$ 8,268,727</u>	<u>\$ 13,377,545</u>	<u>\$ 2,607,487</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenses, and Changes in Net Position (Continued)
 Proprietary Funds
 For the Year Ended September 30, 2015

	<u>Solid Waste</u>	<u>Utility Support</u>	<u>Totals</u>
\$	-	\$ -	\$ 8,326,181
	-	-	782,712
	-	-	1,725,413
	-	-	1,484,352
	880,074	-	880,074
	75,468	-	75,468
	-	158,913	158,913
	-	35,426	1,839,426
	6,149	2,424	17,087
	<u>961,691</u>	<u>196,763</u>	<u>15,289,626</u>
	-	-	5,648
	-	-	5,387,166
	-	-	326,417
	-	-	70,813
	-	-	683,855
	-	-	869,990
	714,727	-	714,727
	18,975	-	18,975
	-	139,324	139,324
	-	47,091	47,091
	-	190,986	190,986
	6,879	3,205	44,351
	108,710	97,988	982,010
	<u>849,291</u>	<u>478,594</u>	<u>9,481,353</u>
	112,400	(281,831)	5,808,273
	-	-	2,255
	1,960	3,147	11,800
	<u>(12,916)</u>	<u>(758)</u>	<u>(105,857)</u>
	<u>(10,956)</u>	<u>2,389</u>	<u>(91,802)</u>
	101,444	(279,442)	5,716,471
	-	213,069	436,629
	-	-	(4,256,287)
	101,444	(66,373)	1,896,813
	608,805	2,920,502	26,117,590
	<u>(81,091)</u>	<u>(39,201)</u>	<u>(316,558)</u>
	<u>527,714</u>	<u>2,881,301</u>	<u>25,801,032</u>
\$	<u>629,158</u>	<u>\$ 2,814,928</u>	<u>\$ 27,697,845</u>

CITY OF BRADY, TEXAS

Statement of Cash Flows Proprietary Funds For the Year Ended September 30, 2015

	Sewer and Electric	Water	Gas
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 9,110,550	\$ 1,698,254	\$ 1,486,788
Payments to Suppliers	(5,221,755)	(528,562)	(688,826)
Payments to Employees for Services	(293,346)	(191,007)	(111,752)
Payments on Behalf of Employees for Benefits	(63,564)	(56,391)	(34,144)
Receipts (Refunds) of Customer Deposits	-	-	-
Receipts from Grants	-	1,804,000	-
Net Cash Provided (Used) by Operating Activities	3,531,885	2,726,294	652,066
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers from Other Funds	(2,645,771)	(1,221,500)	-
Operating Subsidies and Transfers to Other Funds	221,260	2,300	(389,016)
Net Cash Provided (Used) by Noncapital Financing Activities	(2,424,511)	(1,219,200)	(389,016)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipt of Bond Premiums	-	(773)	-
Receipt of Capital Lease Proceeds	-	71,890	-
Proceeds from Sale of Fixed Assets	1,000	-	1,255
Purchases of Capital Assets and Construction in Progress	(320,116)	(649,818)	(1)
Principal Paid on Capital Debt	(189,937)	(451,452)	(61,032)
Interest Paid on Capital Debt	(33,714)	(45,919)	(15,415)
Net Cash Provided (Used) by Capital & Related Financing Activities	(542,767)	(1,076,072)	(75,193)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	2,363	4,040	290
Net Cash Provided (Used) by Investing Activities	2,363	4,040	290
Net Increase In Cash & Cash Equivalents	566,970	435,062	188,147
Balances - Beginning of the Year	6,200,844	2,768,997	1,278,286
Balances - End of the Year	\$ 6,767,814	\$ 3,204,059	\$ 1,466,433
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 3,172,024	\$ 2,291,015	\$ 514,665
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	191,770	486,050	97,492
Bad Debt Expense	28,262	3,501	2,504
Amortization Expense	255	-	-
Change In Assets & Liabilities:			
Accounts Receivable	1,657	(27,159)	2,436
Other Receivables	-	-	-
Inventories	-	-	-
Accounts Payable	140,211	(20,164)	39,485
Accrued Liabilities	-	-	(294)
Prepaid Expenses	-	(2,135)	(705)
Other Payables	-	-	-
Net Pension Liability	(6,483)	(4,867)	(2,517)
Compensated Absences	4,189	53	(1,000)
Customer Deposits Payable	-	-	-
Landfill Closure/Post Closure Costs	-	-	-
Net Cash Provided (Used) by Operating Activities	\$ 3,531,885	\$ 2,726,294	\$ 652,066
Reconciliation to Statement of Net Position - Proprietary Funds:			
Cash and Cash Equivalents - Unrestricted	\$ 4,763,590	\$ 1,100,167	\$ 1,466,737
Cash and Cash Equivalents - Restricted	2,005,006	2,104,477	-
Total Cash and Cash Equivalents - Proprietary Funds	\$ 6,768,596	\$ 3,204,644	\$ 1,466,737
SCHEDULE OF NONCASH ACTIVITIES			
Actuarial Calculation of Net Pension Liability	783	586	304

CITY OF BRADY, TEXAS

Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended September 30, 2015

Solid Waste	Utility Support	Total
\$ 951,346	\$ 154,610	\$ 13,401,548
(362,434)	(205,833)	(7,007,410)
(265,287)	(122,321)	(983,713)
(84,554)	(41,793)	(280,446)
-	4,701	4,701
-	35,426	1,839,426
<u>239,071</u>	<u>(175,210)</u>	<u>6,974,106</u>
-	213,069	(3,654,202)
-	-	(165,456)
<u>-</u>	<u>213,069</u>	<u>(3,819,658)</u>
-	-	(773)
186,286	-	258,176
-	-	2,255
(186,286)	-	(1,156,221)
(126,638)	(4,958)	(834,017)
(13,074)	(786)	(108,908)
<u>(139,712)</u>	<u>(5,744)</u>	<u>(1,839,488)</u>
1,960	3,147	11,800
<u>1,960</u>	<u>3,147</u>	<u>11,800</u>
101,319	35,262	1,326,760
<u>814,669</u>	<u>881,552</u>	<u>11,944,348</u>
\$ <u>915,988</u>	\$ <u>916,814</u>	\$ <u>13,271,108</u>
\$ 112,400	\$ (281,831)	\$ 5,808,273
108,710	97,987	982,009
6,879	3,205	44,351
-	102	357
(4,196)	11,874	(15,388)
-	(16,177)	(16,177)
-	8,168	8,168
(13,012)	(320)	146,200
-	-	(294)
(3,520)	-	(6,360)
-	851	851
(5,726)	(2,771)	(22,364)
(1,957)	(999)	286
-	4,701	4,701
<u>39,493</u>	<u>-</u>	<u>39,493</u>
\$ <u>239,071</u>	\$ <u>(175,210)</u>	\$ <u>6,974,106</u>
\$ 573,023	\$ 264,754	\$ 8,168,271
<u>343,654</u>	<u>652,395</u>	<u>5,105,532</u>
\$ <u>916,677</u>	\$ <u>917,149</u>	\$ <u>13,273,803</u>
<u>689</u>	<u>335</u>	<u>2,697</u>

CITY OF BRADY, TEXAS

Statement of Net Position Discretely Presented Component Unit As of September 30, 2015

	Brady Economic Development Corporation
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,046,986
Total Current Assets	<u>1,046,986</u>
Noncurrent Assets	
Other Receivables	73,360
Land	13,643
Other Capital Assets, Net of Depreciation	<u>340,480</u>
Total Noncurrent Assets	<u>427,483</u>
Total Assets	<u>1,474,469</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	6,726
Interest Payable	750
Bonds, Notes and Leases Payable	<u>115,779</u>
Total Current Liabilities	<u>123,255</u>
Noncurrent Liabilities	
Deferred Revenues	<u>1,204</u>
Total Noncurrent Liabilities	<u>1,204</u>
Total Liabilities	<u>124,459</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	238,344
Unrestricted	<u>1,111,666</u>
Total Net Position	<u>\$ 1,350,010</u>

CITY OF BRADY, TEXAS

Statement of Activities
Discretely Presented Component Unit
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Position	
			Governmental	
Governmental Activities				
General Government				
Rental Income	\$ -	\$ 31,844	\$	31,844
Marketing	1,000	-		(1,000)
Professional/Legal Fees	11,116	-		(11,116)
Contract for Services	36,000	-		(36,000)
Community Development	150,900	-		(150,900)
Annual Land Lease	250	-		(250)
Travel and Training	4,493	-		(4,493)
Membership Dues and Fees	850	-		(850)
Insurance	100	-		(100)
Meeting Provisions	418	-		(418)
Property Taxes	3,092	-		(3,092)
Building Repairs & Maintenance	544	-		(544)
Interest Expense	7,058	-		(7,058)
Depreciation Expense	20,471	-		(20,471)
Total Governmental Activities	236,292	31,844		(204,448)
General Revenues				
Taxes				
Sales Taxes				266,967
Interest Revenue				7,126
Donations				3,970
Total General Revenues, Special Items, and Transfers				278,063
Change in Net Position				73,615
Net Position - Beginning				1,276,395
Net Position - Ending			\$	1,350,010

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note A – Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Brady (the City) operates under a Council-Manager form of government. All powers of the City shall be vested in the elected council, which shall enact local legislation, adopt budgets, determine policies, make appointments, and control the funds of the City. All powers of the City are to be exercised in the manner provided by its Charter, or if the manner is not prescribed, then in such manner as may be prescribed by ordinance. The Mayor shall be the Chief Executive Officer of the City. The Council shall appoint a City Manager who shall be held responsible to the Council for the execution of the laws and the routine administration of the government, either as prescribed in its Charter, or from time to time by the Council through ordinance. The City provides the following services: public safety, streets, public improvements, water, sewer, electricity, natural gas, sanitation, and general administrative services.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the government would result in misleading or incomplete financial statements

Based on the aforementioned criteria, the City has one component unit, the Brady Economic Development Corporation. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement No. 14.

The Brady Economic Development Corporation (EDC) is a non-profit corporation organized under the laws of the State of Texas to provide economic development in and for the benefit of the City. The City appoints the board of directors and approves the annual budget. The EDC's financial statements are presented discretely alongside the financial statements of the City.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note A – Summary of Significant Accounting Policies (Continued)

Basis of Presentation – Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and the discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City, the EDC activities, and for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The City does not allocate indirect expenses in the Statement of Activities. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which the EDC, each program or business segment is self-financing or drawing from the general revenues of the City.

Net Position should be reported as restricted when constraints placed on the use of assets use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Net Position restricted for community projects result from special revenue funds and the restrictions on their use.

Separate financial statements are provided for governmental funds, proprietary funds, and the discretely presented component unit. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note A – Summary of Significant Accounting Policies (Continued)

Basis of Presentation – Measurement Focus and Basis of Accounting (Continued)

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The City's funds are grouped into two broad fund categories for financial statement presentation purposes. Governmental funds include the General Fund and Special Revenue Fund. Proprietary funds include the enterprise funds.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

GOVERNMENTAL FUNDS

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The major governmental funds are:

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

Special Revenue Fund – This fund accounts for specific program revenue sources and related expenditures, such as the City's Senior Citizen's Center, hotel and sales taxes passed through to other entities, and miscellaneous grant revenues and expenditures.

There are no non-major governmental funds.

Revenue Recognition:

In applying the susceptible to accrual concept under the modified accrual basis, revenue sources are deemed both measurable and available if they are collectible within the current year or within sixty days of year-end and available to pay obligations of the current period. This includes special assessments, interest revenue, and reimbursed revenues.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note A – Summary of Significant Accounting Policies (Continued)

Basis of Presentation – Measurement Focus and Basis of Accounting (Continued)

GOVERNMENTAL FUNDS (CONTINUED)

Revenue Recognition (Continued):

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables and deferred inflows of resources are recorded until they become available. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within sixty days of year-end.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition:

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal on general long-term debt, which has not matured, is recognized when paid. Allocations of costs, such as depreciation, are not recognized in the governmental funds.

PROPRIETARY FUNDS

All proprietary funds are accounted for using the accrual basis of accounting and economic resource measurement focus. These funds account for operations that are primarily financed by user charges and presents both long- and short-term assets and liabilities. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in the proprietary funds. Proprietary funds have elected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989, as permitted under Governmental Accounting Standards Board Statement No. 20.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the City's enterprise funds are charges to customers for sales and services. Capital grant revenues are also reported as operating revenues. Operating expenses for enterprise 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.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note A – Summary of Significant Accounting Policies (Continued)

Basis of Presentation – Measurement Focus and Basis of Accounting (Continued)

PROPRIETARY FUNDS (CONTINUED)

The major proprietary funds are:

Sewer and Electric Fund – This fund is used to account for the provision of sewer and electric services to the residential and commercial users of the City.

Water Fund – This fund is used to account for the provision of water treatment and distribution to the residential and commercial users of the City.

Gas Fund – This fund is used to account for the provision of natural gas distribution to the residential and commercial users of the City.

Solid Waste – This fund is used to account for trash collection services provided to the residential and commercial users of the City, and the operation of the City landfill.

Utility Support Fund – This fund is used to account for utility penalties and service charges collected in connection with the other proprietary funds and accounts for all the expenses of the City's warehouse.

There are no non-major proprietary funds.

The City has no internal service funds.

FIDUCIARY FUNDS

The City has no fiduciary funds.

Cash and Cash Equivalents

The City and EDC's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with initial maturities of three months or less.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments*, investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note A – Summary of Significant Accounting Policies (Continued)

Basis of Presentation – Measurement Focus and Basis of Accounting (Continued)

Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. The City records an allowance for accounts it deems to be uncollectible. The allowance for uncollectible accounts receivable was \$29,681 at September 30, 2015 and is reported in the business-type activities. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principle, and delinquent taxes are evaluated annually.

The EDC believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. The EDC records an allowance for accounts it deems to be uncollectible. Management has deemed EDC accounts receivable fully collectible as of September 30, 2015, and therefore, has not established a reserve for uncollectible receivables.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City and EDC as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and reported as capital assets in the government-wide financial statements. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

General infrastructure assets include, but are not limited to, streets, bridges, and underground pipe (other than related to utilities) and are the largest asset class of the City.

Depreciation of capital assets is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and Improvements	20 - 50 years
Infrastructure	5 - 50 years
Equipment	2 - 15 years
Vehicles	5 years

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note A – Summary of Significant Accounting Policies (Continued)

Inventory of Supplies

Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenses in the proprietary fund types in the periods they are used.

Interest Capitalization

The City and EDC do not capitalize interest costs related to construction.

Equity Classifications

Government-Wide Financial Statement Equity

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City’s policy to use restricted resources first, then unrestricted resources.

Fund Statement Equity

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires that fund balances for each of the City’s governmental funds be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note A – Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued)

Fund Statement Equity (Continued)

- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The City's highest level of decision-making authority is the City Council. The City did not have any committed fund balances at September 30, 2015.
- *Assigned fund balance*—amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council has authorized the City Manager to assign, reassign, and unassign fund balances. The City did not have any assigned fund balances at September 30, 2015.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the City's General Fund, unless a negative fund balance occurs in another fund type, which is then reported as unassigned.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

For the EDC, the Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as designation or commitment of the fund. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes). The EDC strives to maintain an unassigned fund balance to be used for operations.

Unpaid Compensated Absences

The City accrues unused portions of vacation pay in the period the fund liability is incurred. Even though the City has appropriated, accumulated, and earmarked expendable available fund resources for these amounts, the portion not normally expected to be liquidated with expendable available financial resources is not reported as a fund liability in accordance with Interpretation No. 6 of the Governmental Accounting Standards Board - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note A – Summary of Significant Accounting Policies (Continued)

Pensions

The net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS), and additions to and deductions from the TMRS's fiduciary net position have been determined on the same basis as they are reported by the TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note B – Discretely Presented Component Unit

The component unit column on the government-wide financial statements include the financial data of the City's component unit. Component units are presented in a separate column to emphasize that they are legally separate from the primary government. Combining financial statements are presented as part of the basic financial statements.

Note C – Compliance and Accountability

Budget Requirements, Accounting, and Reporting

The budget requirements for all funds are as follows:

Annual budgets are adopted for all City funds. Under state law, the Mayor submits an annual budget to the Council for consideration and approval no later than September 30. Such budget is based on expected expenditures by program within a fund and estimated resources by source for all funds.

By Charter the Mayor submits budget amendment ordinances to the City Council. These ordinances are updated for any estimate revisions as well as year-end encumbrances and may include any additional information requested by Council. Council may subsequently amend such ordinances.

Amendments to the appropriation ordinance during the fiscal year ending September 30, 2015 were approved by City Council as provided by the Charter.

For day-to-day management control, expenditures may not exceed the budget at the expenditure-type (i.e. personal services, other operations and maintenance, etc.) level of each cost center (activity within a program within a fund). The Council may transfer encumbered appropriations within programs within funds.

Appropriation control (City Council appropriated budget) is by program within a fund. The City Council may, by ordinance, transfer amounts among programs within and between funds. Budgetary comparison schedules are presented in the Required Supplemental Information section of the report for the General Fund and the Special Revenue Fund. The budgetary basis is the accrual basis of accounting.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note C – Compliance and Accountability (Continued)

Interfund Transfers

Transfers within the City are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, and maintaining debt service on a routine basis. The following transfers were made for the fiscal year ending September 30, 2015:

	Transfers In	Transfers Out	Net Transfers In/Out
Governmental Activities			
General Fund	\$ 3,680,369	\$ -	\$ 3,680,369
Special Revenue Fund	146,665	7,376	139,289
Business-Type Activities			
Sewer and Electric	221,260	2,645,771	(2,424,511)
Water	2,300	1,221,500	(1,219,200)
Gas	-	389,016	(389,016)
Utility Support	213,069	-	213,069
	<u>\$ 4,263,663</u>	<u>\$ 4,263,663</u>	<u>\$ -</u>

Note D – Deposits and Investments

Policies and Practices

The City's Charter specifies that the Finance Officer is responsible for selecting depositories and investing idle funds. The City Council also has the authority to choose the types of deposits and investments made by the City. The Federal Depository Insurance Corporation (FDIC) provides protection of the City's cash and investments as well as qualified pledged or pooled securities by the institutions holding the assets. The Brady National Bank holds such securities. The City does not enter into reverse repurchase agreements.

The City pools all individual fund cash balances. Each fund's portion of this pool is displayed on the statement of net position or balance sheets as cash and cash equivalents.

The EDC's Board of Directors has the authority to choose the types of deposits and investments made by the EDC. The Federal Deposit Insurance Corporation provides protection of cash and investments. In addition, the Commercial National Bank of Brady has pledged qualified securities against the deposits of the EDC. The EDC does not enter into reverse repurchase agreements.

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2015

Note D – Deposits and Investments (Continued)

Deposits and Investments

The carrying amount of the City's cash held with financial institutions was \$13,029,602 and the bank balance was \$13,113,025. The bank balance is categorized as follows:

Insured by FDIC or collateralized with securities held by the City or its agent in the City's name.	\$ 500,000
Collateralized with securities held by the pledging financial institution or its agent but not in the City's name.	12,613,025
Total Bank Balance	<u>\$ 13,113,025</u>

All deposits were fully secured at the balance sheet date.

The carrying amount of the EDC's cash held with financial institutions was \$1,046,986 and the bank balance was \$1,046,986. The bank balance is categorized as follows:

Insured by FDIC or collateralized with securities held by the EDC or its agent in the EDC's name.	\$ 250,000
Collateralized with securities held by the pledging financial institution or its agent but not in the EDC's name.	796,986
Total Bank Balance	<u>\$ 1,046,986</u>

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas; (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note D – Deposits and Investments (Continued)

Restricted Deposits and Investments

The City had deposits and investments restricted for the following purposes at September 30, 2015:

Restricted For:	Governmental Activities	Business-Type Activities	Total
State, Local and Federally Funded Programs	\$ 289,374	\$ -	\$ 289,374
Police Activities	18,271	-	18,271
Court Technology and Security	5,182	-	5,182
Debt Service	19,772	95,808	115,580
Clean Water Project	-	2,005,006	2,005,006
Drinking Water Project	-	1,788,669	1,788,669
Texas Water Development Board Covenant	-	220,000	220,000
Utility Customer Deposits	-	652,395	652,395
Landfill Closure Reserve	-	343,654	343,654
Total Restricted Cash	\$ <u>332,599</u>	\$ <u>5,105,532</u>	\$ <u>5,438,131</u>

Note E – Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E of the Texas Property Tax Code.

Taxes are due and payable upon receipt of the tax bill and are considered delinquent if not paid by February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the City's fiscal year.

The McCulloch County Appraisal District appraises and collects taxes for the City. For 2015, the City of Brady had property with an assessed valuation of \$234,916,480. The tax rate was \$0.3043 per \$100 valuation.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note F – Capital Assets and Depreciation

Capital asset activity for the year ended September 30, 2015 was as follows:

Governmental Activities	Balance 10/1/2014	Additions	Deletions	Transfers	Balance 9/30/2015
Capital assets not being depreciated:					
Land	\$ 735,484	\$ -	\$ -	\$ -	\$ 735,484
Construction in progress	86,814	228,527	(22,277)	-	293,064
Subtotal	822,298	228,527	(22,277)	-	1,028,548
Capital assets being depreciated:					
Buildings and improvements	7,556,139	-	(6,836)	-	7,549,303
Infrastructure	9,204,573	22,860	(10,648)	-	9,216,785
Vehicles	1,041,569	76,262	(39,616)	-	1,078,215
Equipment	1,989,365	204,963	(43,112)	-	2,151,216
Subtotal	19,791,646	304,085	(100,212)	-	19,995,519
Accumulated depreciation:					
Buildings and improvements	(3,390,784)	(227,634)	6,836	-	(3,611,582)
Infrastructure	(6,319,824)	(567,794)	10,648	-	(6,876,970)
Vehicles	(892,182)	(83,992)	39,616	-	(936,558)
Equipment	(1,568,400)	(122,050)	43,112	-	(1,647,338)
Subtotal	(12,171,190)	(1,001,470)	100,212	-	(13,072,448)
Net capital assets being depreciated	7,620,456	(697,385)	-	-	6,923,071
Net capital assets	\$ 8,442,754	\$ (468,858)	\$ (22,277)	\$ -	\$ 7,951,619

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note F – Capital Assets and Depreciation (Continued)

Business-Type Activities	Balance 10/1/2014	Additions	Deletions	Transfers and Adjustments	Balance 9/30/2015
Capital assets not being depreciated:					
Land	\$ 84,829	\$ -	\$ -	\$ -	\$ 84,829
Construction in progress	895,866	898,045	-	(205,459)	1,588,452
Subtotal	980,695	898,045	-	(205,459)	1,673,281
Capital assets being depreciated:					
Buildings and improvements	15,541,493	-	-	-	15,541,493
Infrastructure	15,847,412	-	(1,760,090)	205,459	14,292,781
Vehicles	552,245	289,651	-	-	841,896
Equipment	2,803,877	-	(30,474)	-	2,773,403
Subtotal	34,745,027	289,651	(1,790,564)	205,459	33,449,573
Accumulated depreciation:					
Buildings and improvements	(4,000,883)	(313,955)	-	-	(4,314,838)
Infrastructure	(6,712,657)	(480,518)	1,760,090	-	(5,433,085)
Vehicles	(573,200)	(43,837)	-	-	(617,037)
Equipment	(1,736,861)	(143,704)	30,474	-	(1,850,091)
Subtotal	(13,023,601)	(982,014)	1,790,564	-	(12,215,051)
Net capital assets being depreciated	21,721,426	(692,363)	-	-	21,234,522
Net capital assets	\$ 22,702,121	\$ 205,682	\$ -	\$ -	\$ 22,907,803

Economic Development Corporation	Balance 10/1/2014	Additions	Deletions	Transfers	Balance 9/30/2015
Capital assets not being depreciated:					
Land	\$ 9,673	\$ 3,970	\$ -	\$ -	\$ 13,643
Subtotal	9,673	3,970	-	-	13,643
Capital assets being depreciated:					
Buildings and improvements	452,953	-	-	-	452,953
Subtotal	452,953	-	-	-	452,953
Accumulated depreciation:					
Buildings and improvements	(92,002)	(20,471)	-	-	(112,473)
Subtotal	(92,002)	(20,471)	-	-	(112,473)
Net capital assets being depreciated	360,951	(20,471)	-	-	340,480
Net capital assets	\$ 370,624	\$ (16,501)	\$ -	\$ -	\$ 354,123

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note F – Capital Assets and Depreciation (Continued)

Depreciation was charged to the functions of the City as follows:

Governmental Activities	
Administration	\$ 32,093
Airport	414,041
Public Property Maintenance	112,270
Golf Course	31,394
Fire Department	13,558
Police Department	52,014
Emergency Operations Center	10,620
Street Department	241,357
Civic Center	546
Municipal Court	1,226
Animal Control	4,464
EMS Department	49,898
Lake Department	28,451
G. Rollie White Complex	6,736
Code Enforcement	1,726
Senior Citizens Program	1,076
Total Depreciation Expense	\$ <u>1,001,470</u>
Business-Type Activities	
Electric	\$ 123,360
Sewer	68,410
Water	486,050
Gas	97,492
Solid Waste	77,008
Street Sanitation	31,702
Utility Support	97,988
Total Depreciation Expense	\$ <u>982,010</u>
Economic Development Corporation	
Buildings & Improvements	\$ 20,471
Total Depreciation Expense	\$ <u>20,471</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note G – Defined Benefit Pension Plans

Plan Description

The City of Brady participates as one of the 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) 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 were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

	2014
Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	72
Active employees	85
	<u>202</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note G – Defined Benefit Pension Plans (Continued)

Contributions

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

Employees for the City of Brady were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Brady were 11.10% and 10.72% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$363,146, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period of January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note G – Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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 the best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employees and employer contributions will be made at the rates specified in statute. Based on the 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 BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note G – Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 7,663,161	\$ 6,297,147	\$1,366,014
Changes for the year:			
Service cost	407,549	-	407,549
Interest	540,559	-	540,559
Change of benefit terms	-	-	-
Difference between expected and actual experience	(123,488)	-	(123,488)
Changes of assumptions	-	-	-
Contributions - employer	-	351,829	(351,829)
Contributions - employee	-	194,223	(194,223)
Net investment income	-	360,294	(360,294)
Benefit payments, including refunds of employee contributions	(289,341)	(289,341)	-
Administrative expense	-	(3,761)	3,761
Other changes	-	(309)	309
Net changes	535,279	612,935	(77,656)
Balance at 12/31/2014	\$ 8,198,440	\$ 6,910,082	\$ 1,288,358

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculating using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7%)	1% Increase in Discount Rate (8.0%)
City's Net Pension Liability	\$ 2,539,638	\$ 1,288,358	\$ 274,896

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note G – Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the city recognized pension expense of \$363,146.

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources 9/30/2015	Deferred Inflows of Resources 9/30/2015
Differences between Expected and Actual Economic Experience	\$ -	\$ (85,096)
Difference in Actual Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	64,407	-
Contributions Subsequent to the Measurement Date	278,212	-
	\$ <u>342,619</u>	\$ <u>(85,096)</u>

\$278,212 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2015	\$ (22,292)
2016	(22,292)
2017	7,792
2018	16,103
Total	\$ <u>(20,689)</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note H – Other Employee Benefits

Compensated Absences

The City allows employees, after the completion of a six-month probation period, to begin accruing vacation leave. Vacation leave may be accrued to a maximum of 15 days, which will be paid to an employee upon resignation, death, or termination. No sick leave will be paid to an employee upon termination of employment. The total vacation accrual obligation for the City amounted to \$102,132 at September 30, 2015.

Note I – Risk Management

Liability Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City manages these losses through participation in the Texas Municipal League (TML), a public entity risk pool. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop-loss coverage. Contributions are set annually by TML. The liability to the City is generally limited to contributed amounts.

Management believes the insurance coverage is sufficient to preclude any significant losses to the City. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

The EDC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The EDC manages these losses by purchasing insurance to preclude any significant losses. Management believes the insurance coverage is sufficient to preclude any significant uninsured losses to the EDC. Settled claims have not exceeded the insurance coverage in any part of the past three years.

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2015

Note J – Leases

The City leases property and equipment through various operating and capital leases. Capital lease obligations are discussed in Note K. All operating leases, including leases of office equipment, golf equipment, and landfill heavy equipment, were determined to be non-cancelable. Total expenditures for operating leases for the fiscal year ended September 30, 2015 were \$24,229 for governmental activities and \$74,513 for business-type activities.

Future minimum lease payments for operating leases are as follows:

Year Ended September 30,	Amount
2016	\$ 78,611
2017	60,760
2018	11,619
2019	6,414
Total	<u>\$ 157,404</u>

The assets acquired through capital leases have a capitalized cost of \$3,781,746. Accumulated depreciation at year-end was \$652,741. Capital lease obligations are discussed in Note K.

Note K – Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2015 includes the following:

	Balance 10/1/2014	Additions	Reductions	Balance 9/30/2015	Amount Due Within One Year
Governmental Activities					
General Obligation Refunding Bonds, Series 2003	\$ 165,000	\$ -	\$ (165,000)	\$ -	\$ -
General Obligation Refunding Bonds, Series 2012	1,435,700	-	(53,900)	1,381,800	181,300
Bank & Trust *	5,316	-	(5,316)	-	-
Security State Bank *	32,485	-	(17,805)	14,680	14,680
First Financial Bank *	57,467	-	(26,667)	30,800	27,754
First Financial Bank *	-	38,520	(3,653)	34,867	9,243
First Financial Bank *	-	41,813	(5,287)	36,526	6,548
First Financial Bank *	-	20,717	(1,244)	19,473	4,982
First Financial Bank *	-	42,870	(2,042)	40,828	8,040
First Financial Bank *	-	54,673	(1,383)	53,290	8,450
Government Capital *	-	21,701	(1,607)	20,094	5,689
Government Capital *	-	109,573	-	109,573	20,337
Total Bonds, Notes, and Capital Leases Payable	1,695,968	329,867	(283,904)	1,741,931	287,023
Compensated Absences	99,151	-	(21,809)	77,342	-
Total Governmental Activities	<u>\$ 1,795,119</u>	<u>\$ 329,867</u>	<u>\$ (305,713)</u>	<u>\$ 1,819,273</u>	<u>\$ 287,023</u>

*Note: Indicates a Capital Lease

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

Business-Type Activities	Balance 10/1/2014	Additions	Reductions	Balance 9/30/2015	Amount Due Within One Year
Sewer and Electric:					
Certificates of Obligation - WWTP, Series 2012	\$ 1,210,000	\$ -	\$ (115,000)	\$ 1,095,000	\$ 115,000
Security State Bank *	36,726	-	(20,773)	15,953	15,954
Schertz Bank & Trust *	10,606	-	(6,982)	3,624	3,624
Texas Bank *	437,834	-	(47,181)	390,653	48,578
	<u>1,695,166</u>	<u>-</u>	<u>(189,936)</u>	<u>1,505,230</u>	<u>183,156</u>
Water:					
Certificates of Obligation, Series 2000	3,570,000	-	(210,000)	3,360,000	210,000
Certificates of Obligation, Series 2004	195,000	-	(95,000)	100,000	100,000
Certificates of Obligation, Series 2013	350,000	-	(35,000)	315,000	35,000
General Obligation Refunding Bonds, Series 2012	29,300	-	(1,100)	28,200	3,700
First Financial Bank *	-	71,890	(4,176)	67,714	17,323
Schertz Bank & Trust *	16,539	-	(5,916)	10,623	6,255
Texas Bank *	930,396	-	(100,260)	830,136	103,226
	<u>5,091,235</u>	<u>71,890</u>	<u>(451,452)</u>	<u>4,711,673</u>	<u>475,504</u>
Gas:					
First Financial Bank *	-	31,470	(1,866)	29,604	7,574
Security State Bank *	6,189	-	(3,815)	2,374	2,373
Schertz Bank & Trust *	12,189	-	(6,203)	5,986	5,986
Texas Bank *	456,077	-	(49,147)	406,930	50,601
	<u>474,455</u>	<u>31,470</u>	<u>(61,031)</u>	<u>444,894</u>	<u>66,534</u>
Utility Support:					
Government Capital - Forklift *	22,024	-	(4,958)	17,066	5,159
	<u>22,024</u>	<u>-</u>	<u>(4,958)</u>	<u>17,066</u>	<u>5,159</u>
Solid Waste:					
Caterpillar Financial *	92,656	-	(47,467)	45,189	45,189
First Financial Bank *	177,243	-	(16,502)	160,741	17,134
First Financial Bank *	-	27,545	(1,599)	25,946	6,638
Government Capital *	-	158,741	(11,757)	146,984	41,612
View Point Bank *	49,312	-	(49,312)	-	-
	<u>319,211</u>	<u>186,286</u>	<u>(126,637)</u>	<u>378,860</u>	<u>110,573</u>
Total Bonds, Notes, and Capital Leases Payable	7,602,091	289,646	(834,014)	7,057,723	840,926
Compensated Absences	24,504	286	-	24,790	-
Total Business-Type Activities	<u>\$ 7,626,595</u>	<u>\$ 289,932</u>	<u>\$ (834,014)</u>	<u>\$ 7,082,513</u>	<u>\$ 840,926</u>

*Note: Indicates a Capital Lease

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

	Balance 10/1/2014	Additions	Reductions	Balance 9/30/2015	Amount Due Within One Year
Economic Development Corporation					
Brady National Bank	138,721	-	(22,942)	115,779	115,779
Total Bonds, Notes, and Capital Leases Payable	138,721	-	(22,942)	115,779	115,779

Description of Debt

Combination Tax and Waterworks Surplus Revenue Certificates of Obligation, Series 2000

On May 1, 2000, the City issued the Combination Tax and Waterworks Surplus Revenue Certificates of Obligation, Series 2000. Principal amounts on these certificates are due and payable annually on May 1. The certificates are interest free and will be paid in full on May 1, 2031. The principal amount outstanding at September 30, 2015 was \$3,360,000.

General Obligation Refunding Bonds, Series 2003

On December 15, 2003, the City issued the General Obligation Refunding Bonds, Series 2003, in the amount of \$4,050,000. These bonds refunded the outstanding balances of the City's Tax and Electric Light and Sewer System Revenue Certificates of Obligation, Series 1990 and Combination Tax and Revenue Certificates of Obligation, Series 2002, in order to lower the overall debt service requirements of the city and to pay the costs associated with the issuance of the bonds. Principal amounts on these certificates are due and payable annually beginning September 1, 2004. Interest is due and payable semi-annually beginning March 1, 2004 at rates ranging from 3.0% to 4.5%. These certificates will be paid in full on September 30, 2022. Bond premium costs are amortized over a period of twenty (20) years.

On April 11, 2012, the City issued the General Obligation Refunding Bonds, Series 2012. A portion of the proceeds were used to redeem \$1,340,000 in future annual principal maturities of the General Obligation Refunding Bonds, Series 2003, due September 2017 through September 2022. The note matured and was paid in full during fiscal year ending September 30, 2015.

Combination Tax and Revenue Certificates of Obligation, Series 2004

On December 8, 2004, the City issued the Combination Tax and Revenue Certificates of Obligation, Series 2004 in the amount of \$2,200,000. These bonds were issued to relocate and construct utility transmission lines and related improvements. Principal amounts on these certificates are due and payable annually beginning May 1, 2006. Interest is due and payable semi-annually beginning March 1, 2005 at rates ranging from 2.79% to 5.69%. These certificates will be paid in full on May 1, 2017.

On April 11, 2012, the City issued the General Obligation Refunding Bonds, Series 2012. A portion of the proceeds were used to redeem \$30,000 in future annual principal maturities of the Combination Tax and Revenue Certificates of Obligation, Series 2004, due in May 2017. The principal amount outstanding at September 30, 2015 was \$100,000.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

Description of Debt (Continued)

General Obligation Refunding Bonds, Series 2012

On April 11, 2012, the City issued the General Obligation Refunding Bonds, Series 2012, in the amount of \$1,560,000. These bonds were issued to advance refund a portion of the outstanding General Obligation Refunding Bonds, Series 2003, advance refund a portion of the outstanding Combination Tax and Revenue Certificates of Obligation, Series 2004, and advance refund a portion of the outstanding Tax Note, Series 2007, prior to their maturities. Principal amounts on these bonds are due and payable annually beginning September 1, 2012. Interest is due and payable semi-annually beginning September 1, 2012 at rates ranging from 1.000% to 2.875%. The bonds mature on September 1, 2022. Bond premium costs are amortized over a period of ten (10) years. The principal amount outstanding at September 30, 2015 was \$1,410,000.

Combination Tax & Surplus Wastewater & Electric System Revenue Certificates of Obligation, Series 2012

On October 15, 2012, the City issued the Combination Tax & Surplus Wastewater & Electric System Revenue Certificates of Obligation, Series 2012 in the amount of \$1,210,000. The City filed an application for financial assistance in the amount of \$2,651,990 with the Texas Water Development Board (TWBD) through the Clean Water State Revolving Fund to finance the planning, acquisition and design activities associated with the wastewater system improvement project. TWBD approved a Loan Forgiveness Grant in the amount of \$1,441,990; the remaining \$1,210,000 was issued as debt. Principal amounts on these certificates are due and payable annually beginning September 1, 2015. Interest is due and payable semi-annually beginning March 1, 2013 at rates ranging from .42% to 2.3%. These certificates will be paid in full on September 1, 2024. The outstanding principal amount at September 30, 2015 was \$1,095,000.

Combination Tax & Surplus Waterworks System Revenue Certificates of Obligation, Series 2013

On September 30, 2015, the City issued the Combination Tax & Surplus Waterworks System Revenue Certificates of Obligation, Series 2013 in the amount of \$350,000. These bonds were issued by the Texas Water Development Board (TWBD) through the Drinking Water State Revolving Fund to finance the planning for certain water system improvements. Principal amounts on these certificates are due and payable annually on September 1. Interest is due and payable semi-annually on March 1 and September 1 at rates ranging from .020% to 2.860%. These certificates will be paid in full on September 1, 2024. The outstanding principal amount at September 30, 2015 was \$315,000.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

Description of Debt (Continued)

View Point Bank

On September 16, 2009, the City entered a capital lease agreement with View Point Bank. This lease was for the purchase of a new trash truck, dumpsters, trash cans, and accessories. This lease is due and payable in 72 monthly payments of \$4,535 beginning November 1, 2009. Payments include interest of 4.815%. This lease matured and was paid in full during fiscal year ended September 30, 2015.

Description of Capital Leases

The Bank & Trust

On December 12, 2010, the City entered a capital lease agreement with The Bank & Trust, S.S.B. This lease was for the purchase of police vehicles and equipment. This lease is due and payable in 48 monthly payments \$2,675 beginning December 15, 2010. Payments include interest of 4.94%. This lease matured and was paid in full during fiscal year ended September 30, 2015.

Security State Bank

On June 7, 2011, the City entered a capital lease agreement with Security State Bank. This lease was for the purchase of various equipment. This lease is due and payable in 60 monthly payments of \$3,733 beginning July 15, 2011. Payments include interest of 4.28%. This lease will be paid in full on June 15, 2016.

First Financial Bank, N.A.

On October 18, 2011, the City entered a capital lease agreement with First Financial Bank, N.A. This lease was for the purchase of an ambulance. This lease is due and payable in 60 monthly payments of \$2,371 beginning December 1, 2011. Payments include interest of 4.001%. This lease will be paid in full on November 1, 2016.

Schertz Bank & Trust

On March 20, 2012, the City entered a capital lease agreement with Schertz Bank and Trust. This lease was for the purchase of a new half-ton truck. This lease is due and payable in 48 monthly payments of \$613 beginning April 30, 2012. Payments include interest of 5.033%. This lease will be paid in full on March 31, 2016.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

Description of Capital Leases (Continued)

Schertz Bank & Trust

On August 6, 2012, the City entered a capital lease agreement with Schertz Bank and Trust. This lease was for the purchase of a new police truck. This lease is due and payable in 48 monthly payments of \$559 beginning September 15, 2012. Payments include interest of 5.391%. This lease will be paid in full on August 15, 2016.

Schertz Bank & Trust

On April 2, 2013, the City entered a capital lease agreement with Schertz Bank & Trust. This lease was for the purchase of a new truck. This lease is due and payable in 48 monthly payments of \$558 beginning June 1, 2013. Payments include interest of 5.593%. The lease will be paid in full on May 1, 2017.

Caterpillar Financial

On August 29, 2012, the City entered a capital lease agreement with Caterpillar Financial. This lease was for the purchase of a new wheel tractor. This lease is due and payable in 50 monthly payments of \$4,143 beginning in September 2012. Payments include interest of 5.249%. This lease will be paid in full on August 2016.

Texas Bank

On October 15, 2012, the City entered a capital lease agreement with Texas Bank. This lease was for the purchase of various Water System equipment. This lease is due and payable in 40 quarterly payments of \$63,595 beginning January 15, 2013. Payments include interest of 3.339%. This lease will be paid in full on October 22, 2022.

First Financial Bank

On October 15, 2013, the City entered a capital lease agreement with First Financial Bank. This lease was for the purchase of a street sweeper. This lease is due and payable in 120 monthly payments of \$1,908 beginning December 15, 2013. Payments include interest of 3.76%. This lease will be paid in full on November 15, 2023.

Government Capital

On October 15, 2013, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a forklift. This lease is due and payable in 60 monthly payments of \$479 beginning December 15, 2013. Payments include interest of 3.976%. This lease will be paid in full on November 15, 2018.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

Description of Capital Leases (Continued)

First Financial Bank

On February 15, 2015, the City entered a capital lease agreement with First Financial Bank. This lease was for the purchase of a police vehicle. This lease is due and payable in 48 monthly payments of \$872 beginning May 1, 2015. Payments include interest of 3.965%. This lease will be paid in full on April 1, 2019.

First Financial Bank

On November 4, 2015, the City entered a capital lease agreement with First Financial Bank. This lease was for the purchase of ambulance cots. This lease is due and payable in 72 monthly payments of \$647 beginning December 8, 2014. Payments include interest of 3.62%. This lease will be paid in full on November 8, 2020.

First Financial Bank

On March 17, 2015, the City entered a capital lease agreement with First Financial Bank. This lease was for the purchase of a trailer and tank. This lease is due and payable in 60 monthly payments of \$790 beginning June 1, 2015. Payments include interest of 3.926%. This lease will be paid in full on May 1, 2020.

First Financial Bank

On June 16, 2015, the City entered a capital lease agreement with First Financial Bank. This lease was for the purchase of a new truck. This lease is due and payable in 72 monthly payments of \$835 beginning August 1, 2015. Payments include interest of 3.173%. This lease will be paid in full on July 1, 2021.

First Financial Bank

On May 5, 2015, the City entered a capital lease agreement with First Financial Bank. This lease was for the purchase of four new trucks. This lease is due and payable in 48 monthly payments of \$3,357 beginning July 1, 2015. Payments include interest of 2.987%. This lease will be paid in full on June 1, 2019.

Government Capital

On February 3, 2015, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a tractor. This lease is due and payable in 60 monthly payments of \$399 beginning May 1, 2015. Payments include interest of 3.751%. This lease will be paid in full on April 1, 2020.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

Description of Capital Leases (Continued)

Government Capital

On August 18, 2015, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of law enforcement software. This lease is due and payable in 4 annual payments of \$24,119 beginning October 15, 2016. Payments include interest of 3.195%. This lease will be paid in full on October 15, 2020.

Government Capital

On February 3, 2015, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a commercial truck. This lease is due and payable in 60 monthly payments of \$2,915 beginning May 1, 2015. Payments include interest of 3.751%. This lease will be paid in full on April 1, 2020.

Debt Maturity

Debt service requirements at September 30, 2015 were as follows:

Combination Tax and Waterworks Surplus Revenue Certificates of Obligation, Series 2000

Year Ended September 30,	Principal	Interest	Total
2016	\$ 210,000	\$ -	\$ 210,000
2017	210,000	-	210,000
2018	210,000	-	210,000
2019	210,000	-	210,000
2020	210,000	-	210,000
2021-2025	1,050,000	-	1,050,000
2026-2030	1,050,000	-	1,050,000
2031	210,000	-	210,000
	<u>\$ 3,360,000</u>	<u>\$ -</u>	<u>\$ 3,360,000</u>

Combination Tax and Revenue Certificates of Obligation, Series 2004

Year Ended September 30,	Principal	Interest	Total
2016	\$ 100,000	\$ 75,729	\$ 175,729
	<u>\$ 100,000</u>	<u>\$ 75,729</u>	<u>\$ 175,729</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

Debt Maturity (Continued)

General Obligation Refunding Bonds, Series 2012

Year Ended September 30,	Principal	Interest	Total
2016	\$ 185,000	\$ 34,325	\$ 219,325
2017	215,000	30,625	245,625
2018	195,000	26,325	221,325
2019	195,000	21,938	216,938
2020	200,000	17,062	217,062
2021-2022	420,000	17,850	437,850
	<u>\$ 1,410,000</u>	<u>\$ 148,125</u>	<u>\$ 1,558,125</u>

*Combination Tax & Surplus Wastewater & Electric System Revenue
Certificates of Obligation, Series 2012*

Year Ended September 30,	Principal	Interest	Total
2016	\$ 115,000	\$ 17,811	\$ 132,811
2017	115,000	17,109	132,109
2018	115,000	16,097	131,097
2019	120,000	14,752	134,752
2020	120,000	12,964	132,964
2021-2024	510,000	28,151	538,151
	<u>\$ 1,095,000</u>	<u>\$ 106,884</u>	<u>\$ 1,201,884</u>

*Combination Tax & Surplus Waterworks System Revenue
Certificates of Obligation, Series 2013*

Year Ended September 30,	Principal	Interest	Total
2016	\$ 35,000	\$ 5,551	\$ 40,551
2017	35,000	5,418	40,418
2018	35,000	5,173	40,173
2019	35,000	4,813	39,813
2020	35,000	4,287	39,287
2021-2024	140,000	9,394	149,394
	<u>\$ 315,000</u>	<u>\$ 34,636</u>	<u>\$ 349,636</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

Debt Maturity (Continued)

Commercial National Bank

Year Ended September 30,	Principal	Interest	Total
2016	\$ 115,779	\$ 2,579	\$ 118,358
	\$ 115,779	\$ 2,579	\$ 118,358

Capital Leases Maturity

Security State Bank

Year Ended September 30,	Principal	Interest	Total
2016	\$ 33,007	\$ 593	\$ 33,600
	\$ 33,007	\$ 593	\$ 33,600

First Financial Bank, N.A.

Year Ended September 30,	Principal	Interest	Total
2016	\$ 27,754	\$ 700	\$ 28,454
2017	1,850	8	1,858
	\$ 29,604	\$ 708	\$ 30,312

Schertz Bank and Trust

Year Ended September 30,	Principal	Interest	Total
2016	\$ 3,624	\$ 53	\$ 3,677
	\$ 3,624	\$ 53	\$ 3,677

Schertz Bank and Trust

Year Ended September 30,	Principal	Interest	Total
2016	\$ 5,986	\$ 163	\$ 6,149
	\$ 5,986	\$ 163	\$ 6,149

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

Capital Leases Maturity (Continued)

Schertz Bank & Trust

Year Ended September 30,	Principal	Interest	Total
2016	\$ 6,255	\$ 435	\$ 6,690
2017	4,368	92	4,460
	<u>\$ 10,623</u>	<u>\$ 527</u>	<u>\$ 11,150</u>

Caterpillar Financial

Year Ended September 30,	Principal	Interest	Total
2016	\$ 45,189	\$ 562	\$ 45,751
	<u>\$ 45,189</u>	<u>\$ 562</u>	<u>\$ 45,751</u>

Texas Bank

Year Ended September 30,	Principal	Interest	Total
2016	\$ 202,404	\$ 51,975	\$ 254,379
2017	209,248	45,132	254,380
2018	216,323	38,057	254,380
2019	223,637	30,743	254,380
2020	231,198	23,182	254,380
2021-2023	544,909	23,175	568,084
	<u>\$ 1,627,719</u>	<u>\$ 212,264</u>	<u>\$ 1,839,983</u>

First Financial Bank

Year Ended September 30,	Principal	Interest	Total
2016	\$ 17,135	\$ 5,761	\$ 22,896
2017	17,791	5,105	22,896
2018	18,473	4,423	22,896
2019	19,181	3,715	22,896
2020	19,916	2,980	22,896
2021-2024	68,245	4,257	72,502
	<u>\$ 160,741</u>	<u>\$ 26,241</u>	<u>\$ 186,982</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

Capital Leases Maturity (Continued)

Government Capital

Year Ended September 30,	Principal	Interest	Total
2016	\$ 5,159	\$ 585	\$ 5,744
2017	5,368	376	5,744
2018	5,586	159	5,745
2019	953	5	958
	<u>\$ 17,066</u>	<u>\$ 1,125</u>	<u>\$ 18,191</u>

First Financial Bank

Year Ended September 30,	Principal	Interest	Total
2016	\$ 9,243	\$ 1,216	\$ 10,459
2017	9,616	843	10,459
2018	10,000	455	10,455
2019	6,008	80	6,088
	<u>\$ 34,867</u>	<u>\$ 2,594</u>	<u>\$ 37,461</u>

First Financial Bank

Year Ended September 30,	Principal	Interest	Total
2016	\$ 6,548	\$ 1,214	\$ 7,762
2017	6,789	973	7,762
2018	7,038	724	7,762
2019	7,297	464	7,761
2020	7,566	196	7,762
2021	1,288	6	1,294
	<u>\$ 36,526</u>	<u>\$ 3,577</u>	<u>\$ 40,103</u>

First Financial Bank

Year Ended September 30,	Principal	Interest	Total
2016	\$ 8,040	\$ 1,441	\$ 9,481
2017	8,361	1,120	9,481
2018	8,695	786	9,481
2019	9,043	438	9,481
2020	6,689	92	6,781
	<u>\$ 40,828</u>	<u>\$ 3,877</u>	<u>\$ 44,705</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

Capital Leases Maturity (Continued)

First Financial Bank

Year Ended September 30,	Principal	Interest	Total
2016	\$ 8,450	\$ 1,569	\$ 10,019
2017	8,722	1,297	10,019
2018	9,003	1,016	10,019
2019	9,293	726	10,019
2020	9,592	427	10,019
2021	8,230	120	8,350
	<u>\$ 53,290</u>	<u>\$ 5,155</u>	<u>\$ 58,445</u>

First Financial Bank

Year Ended September 30	Principal	Interest	Total
2016	\$ 36,516	\$ 3,766	\$ 40,282
2017	37,622	2,661	40,283
2018	38,761	1,521	40,282
2019	31,034	372	31,406
	<u>\$ 143,933</u>	<u>\$ 8,320</u>	<u>\$ 152,253</u>

Government Capital

Year Ended September 30,	Principal	Interest	Total
2016	\$ 5,689	\$ 1,087	\$ 6,776
2017	4,255	528	4,783
2018	4,417	366	4,783
2019	4,585	197	4,782
2020	1,148	34	1,182
	<u>\$ 20,094</u>	<u>\$ 2,212</u>	<u>\$ 22,306</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note K – Long-Term Liabilities (Continued)

Capital Leases Maturity (Continued)

Government Capital

Year Ended September 30,	Principal	Interest	Total
2016	\$ 20,337	\$ 3,782	\$ 24,119
2017	21,268	2,851	24,119
2018	21,947	2,172	24,119
2019	22,649	1,470	24,119
2020	23,372	747	24,119
	<u>\$ 109,573</u>	<u>\$ 11,022</u>	<u>\$ 120,595</u>

Government Capital

Year Ended September 30,	Principal	Interest	Total
2016	\$ 41,612	\$ 7,949	\$ 49,561
2017	31,122	3,862	34,984
2018	32,310	2,675	34,985
2019	33,543	1,442	34,985
2020	8,397	253	8,650
	<u>\$ 146,984</u>	<u>\$ 16,181</u>	<u>\$ 163,165</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2015

Note L – Landfill Closure and Postclosure Costs

State and federal laws and regulations require that the City of Brady place final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill use during the year.

The estimated liability for landfill closure and postclosure care costs was \$343,654 as of September 30, 2015, which was based on 20.38% usage (filled) of the landfill. It is estimated that an additional \$1,342,884 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care (\$1,686,538) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were incurred as of September 30, 2015. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The remaining capacity of the facility based on fiscal year 2015 disposal is in excess of 100 years. The current estimated liability of \$343,654 is reported in the Solid Waste Fund as a long-term liability. The City of Brady is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The City is in compliance with these requirements.

Note M – Net Position

Implementation of New Accounting Principles

Governmental Accounting Standards Board Statement No. 68

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This new standard requires the City plan's net pension liability (asset) and related deferred inflows and outflows of resources to be recognized on the City's government-wide statements. This change required a prior period adjustment to restate prior years in accordance with the change in accounting principle. The prior period adjustment recorded represents the net pension liability at September 30, 2014.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note M – Net Position (Continued)

Restatement of Net Position

For the fiscal year ending September 30, 2015, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (“the Statement”) was implemented. The implementation of the statement resulted in the city recording net pension liability, related deferred inflows and outflows of resources, and initial entries as prior period adjustments to be recognized on the City’s government-wide statements. The standard requires retrospective application to the extent it is practicable. The City’s government-wide net position for the governmental and business-type activities as of September 30, 2015, have been restated as follows:

	Government-Wide Statement of Net Position	
	Governmental Activities	Business-Type Activities
Net Position at September 30, 2014, As Previously Restated	\$ 8,457,335	\$ 26,117,590
GASB Statement No. 68 adjustment:		
Beginning Prior Period Adjustment	(782,561)	(316,558)
Net Position at September 30, 2014, As Restated	<u>\$ 7,674,774</u>	<u>\$ 25,801,032</u>

Deferred Outflows/Inflows of Resources

In addition, to assets and liabilities, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one type of item reported as deferred outflows of resources, in both the governmental and proprietary funds on the Statement of Net Position, which arises under the full accrual basis of accounting. These items are related to differences between projected and actual investment earnings on pensions and contributions made to the pension plan to the measurement date of the actuarial valuation. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The city has one type of item reported as deferred inflows of resources, in both the governmental and proprietary funds on the Statement of Net Position, which arises under the full accrual basis of accounting. These items are related to differences between expected and actual economic experience based on the actuarial valuation. At the governmental fund level only one type of item arises only under a modified accrual basis of accounting that qualifies for reporting as deferred inflows of resources. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from uncollected property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2015

Note N – Restricted Net Position

The City reported the following restricted net position at September 30, 2015.

Restricted For:	Governmental Activities	Business-Type Activities	Total Governmental Funds
Debt Service	\$ 19,772	\$ 107,559	\$ 127,331
State, Local, and Federally Funded Programs	289,374	4,001,923	4,291,297
Street Sanitation	-	-	-
Police Activities	18,271	-	18,271
Court Technology and Security	5,182	-	5,182
Total Restricted	<u>\$ 332,599</u>	<u>\$ 4,109,482</u>	<u>\$ 4,442,081</u>

Note O – Fund Balances

The City reported the following fund balance designations at September 30, 2015:

	General Fund	Special Revenue Fund	Total Governmental Funds
Nonspendable:			
Prepays	\$ 6,383	\$ -	\$ 6,383
Inventory	28,966	-	28,966
Total Nonspendable	35,349	-	35,349
Restricted For:			
Debt Service	19,772	-	19,772
State and Federally Funded Programs	-	289,374	289,374
Police Activities	18,271	-	18,271
Court Technology and Security	5,182	-	5,182
Total Restricted	43,225	289,374	332,599
Unassigned	3,025,576	72,090	3,097,666
Total Fund Balances	<u>\$ 3,104,150</u>	<u>\$ 361,464</u>	<u>\$ 3,465,614</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF BRADY, TEXAS

Required Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

General Fund

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Tax	\$ 727,500	\$ 729,169	\$ 743,197	\$ 14,028
Sales Tax	850,000	1,093,000	1,093,162	162
Franchise Taxes	38,000	40,000	40,250	250
Mixed Beverage Tax	500	500	1,317	817
Interest Income	36,030	52,030	56,631	4,601
Miscellaneous Revenue	-	4,115	4,400	285
Reimbursed Expenses	-	9,003	22,628	13,625
Administrative Services	38,000	37,500	38,583	1,083
Airport Revenue	915,800	645,575	575,715	(69,860)
Public Property Maintenance	32,300	40,550	43,727	3,177
Golf Course	105,600	103,203	104,258	1,055
Swimming Pool	22,500	23,580	23,513	(67)
Fire Department	82,000	81,610	86,480	4,870
Police Department	1,500	7,891	8,356	465
Emergency Op Center	47,000	47,000	47,000	-
Community Services Administration	42,720	36,000	36,000	-
Street Department	-	5,350	3,881	(1,469)
Civic Center	1,500	198,500	161,900	(36,600)
Municipal Court	43,500	49,500	48,253	(1,247)
Animal Control	600	300	204	(96)
City/County EMS	483,100	613,813	630,268	16,455
Lake Department	136,600	127,964	133,024	5,060
G.R. White Complex	-	-	125	125
Building & Permitting	26,500	21,900	21,158	(742)
Donations	10,000	25,700	25,707	7
Grant Revenue	47,250	47,250	48,109	859
Total Revenues	\$ 3,688,500	\$ 4,041,003	\$ 3,997,846	\$ (43,157)

CITY OF BRADY, TEXAS

Required Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Continued)

General Fund

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
EXPENDITURES				
Administration	\$ 606,295	\$ 620,308	\$ 576,130	\$ 44,178
Airport	1,121,330	903,357	737,109	166,248
Public Property Maintenance	282,084	305,852	308,168	(2,316)
Mayor and Council	25,851	26,851	18,582	8,269
Golf Course	265,593	277,401	262,630	14,771
Swimming Pool	92,583	91,461	89,194	2,267
Fire Department	802,317	762,679	743,857	18,822
Police Department	786,086	790,879	709,575	81,304
Emergency Op Center	18,975	18,275	15,362	2,913
Communications	293,005	300,565	275,253	25,312
Community Services Administration	112,805	108,085	103,983	4,102
Street Department	482,660	628,115	387,193	240,922
Civic Center	20,000	23,402	20,904	2,498
Municipal Court	54,201	71,551	71,410	141
Special Services	2,700	2,700	2,093	607
Repair Shop	57,612	57,511	56,698	813
Animal Control	94,661	74,844	47,605	27,239
City/County EMS	675,732	721,850	688,038	33,812
Lake Department	174,024	187,584	184,740	2,844
G.R. White Complex	58,100	58,100	26,075	32,025
Purchasing	53,494	54,944	53,445	1,499
Financial Administration	256,503	257,503	246,660	10,843
Building & Permitting	190,176	167,126	110,142	56,984
Capital Outlay	184,234	724,945	472,983	251,962
Debit Service				
Principal	306,521	291,440	283,904	7,536
Interest	47,272	47,349	47,565	(216)
Total Expenditures	<u>7,064,814</u>	<u>7,574,677</u>	<u>6,539,298</u>	<u>1,035,379</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(3,376,314)	(3,533,674)	(2,541,452)	992,222
OTHER FINANCING SOURCES (USES)				
Transfers In	3,190,560	3,679,293	3,680,369	1,076
Lease Proceeds	179,034	325,193	329,867	4,674
Sale of Fixed Assets	-	12,050	12,173	123
Total Other Financing Sources (Uses)	<u>3,369,594</u>	<u>4,016,536</u>	<u>4,022,409</u>	<u>5,873</u>
Excess Revenues and Other Sources Over				
(Under) Expenditures and Other Uses	(6,720)	482,862	1,480,957	998,095
Fund Balance - Beginning, GAAP Basis	<u>1,623,193</u>	<u>1,623,193</u>	<u>1,623,193</u>	<u>-</u>
Fund Balance - Ending, GAAP and				
Budgetary Basis	<u>\$ 1,616,473</u>	<u>\$ 2,106,055</u>	<u>\$ 3,104,150</u>	<u>\$ 998,095</u>

CITY OF BRADY, TEXAS

Required Supplemental Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

Special Revenue Fund

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Sales Taxes	\$ -	\$ 258,000	\$ 266,505	\$ 8,505
Hotel Occupancy Taxes	-	235,000	236,150	1,150
Senior Citizen Revenues	28,000	26,500	26,821	321
Airport Revenue	594,000	23,000	23,811	811
Donations	150,000	150,000	150,000	-
Miscellaneous	-	-	-	-
Pass-Through Services Revenue	-	5,000	3,931	(1,069)
Reimbursed Expenses	-	-	82	82
Community Development	1,335,000	-	-	-
Grant Revenues	123,000	121,500	101,232	(20,268)
Total Revenues	<u>2,230,000</u>	<u>819,000</u>	<u>808,532</u>	<u>(10,468)</u>
EXPENDITURES				
Pass-Through Services	-	498,000	456,186	41,814
Senior Citizens Program	265,168	255,470	251,390	4,080
Community Development	2,452,740	60,075	17,942	42,133
Capital Outlay	-	-	59,629	(59,629)
Total Expenditures	<u>2,717,908</u>	<u>813,545</u>	<u>785,147</u>	<u>28,398</u>
Excess (Deficiency) of Revenues Over Expenditures	(487,908)	5,455	23,385	17,930
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	222,268	208,480	146,665	(61,815)
Operating Transfers Out	(54,000)	-	(7,376)	(7,376)
Total Other Financing Sources and Uses	<u>168,268</u>	<u>208,480</u>	<u>139,289</u>	<u>(69,191)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(319,640)	213,935	162,674	(51,261)
Fund Balance - Beginning, GAAP Basis	<u>198,790</u>	<u>198,790</u>	<u>198,790</u>	<u>-</u>
Fund Balance - Ending, GAAP and Budgetary Basis	<u>\$ (120,850)</u>	<u>\$ 412,725</u>	<u>\$ 361,464</u>	<u>\$ (51,261)</u>

CITY OF BRADY, TEXAS

Required Supplemental Information
Notes to the Budgetary Comparison Schedules
For the Year Ended September 30, 2015

Budget Requirements, Accounting, and Reporting

The budget requirements for all funds are as follows:

Annual budgets are adopted for all City funds. Under state law, the Mayor submits an annual budget to the City Council for consideration and approval no later than September 30. Such budget is based on expected expenditures by program within a fund and estimated resources by source for all funds.

By Charter the Mayor submits budget amendment ordinances to the City Council. These ordinances are updated for any estimate revisions as well as year-end encumbrances and may include any additional information requested by the City Council. The City Council may subsequently amend such ordinances. Amendments to the appropriation ordinance during the fiscal year are approved by the City Council as provided by the Charter.

For day-to-day management control, expenditures may not exceed the budget at the expenditure-type level (i.e., personnel, operations and maintenance, etc.) of each cost center (activity within a program within a fund). The City Council may transfer unencumbered appropriations within programs within funds.

Appropriation control (the budgeted appropriations approved by the City Council) is by program within a fund. The City Council may, by ordinance, transfer amounts among programs within and between funds. The budgetary basis is the modified accrual basis of accounting.

Budgetary comparison schedules for the General Fund and the Special Revenue Fund are presented as Required Supplemental Information.

CITY OF BRADY, TEXAS

Required Supplemental Information
Texas Municipal Retirement System – Schedule of Funding Progress (Unaudited)
For the Year Ended September 30, 2015

	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 407,549
Interest (on the Total Pension Liability)	540,559
Changes of benefit terms	-
Difference between expected and actual experience	(123,488)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(289,341)</u>
Net Change in Total Pension Liability	<u>535,279</u>
Total Pension Liability - Beginning	<u>7,663,161</u>
Total Pension Liability - Ending (a)	<u><u>\$ 8,198,440</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 351,829
Contributions - Employee	194,223
Net Investment Income	360,294
Benefit payments, including refunds of employee contributions	(289,341)
Administrative Expense	(3,761)
Other	<u>(309)</u>
Net Change in Plan Fiduciary Net Position	<u>612,935</u>
Plan Fiduciary Net Position - Beginning	<u>6,297,147</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 6,910,082</u></u>
Net Pension Liability - Ending (a) - (b)	\$ 1,288,358
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.29%
Covered Employee Payroll	\$ 3,178,565
Net Pension Liability as a Percentage of Covered Employee Payroll	40.53%

SUPPLEMENTAL SECTION

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Sewer and Electric Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Electrical Distribution	\$ 7,797,350	\$ 8,270,650	\$ 8,326,181	\$ 55,531
Wastewater	802,500	751,000	782,712	31,712
Interest Income	3,000	1,307	2,363	1,056
Reimbursed Expenses	-	-	2,394	2,394
Total Revenues	<u>8,602,850</u>	<u>9,022,957</u>	<u>9,113,650</u>	<u>90,693</u>
EXPENDITURES				
Power Plant	5,000	8,000	5,648	2,352
Electrical Distribution	5,011,713	5,469,185	5,387,166	82,019
Wastewater	478,205	499,749	326,417	173,332
Bad Debt Expense	45,000	29,000	28,262	738
Capital Outlay	110,000	408,411	320,116	88,295
Debt Service				
Principal Payments	74,741	74,741	189,936	(115,195)
Interest Payments	34,949	34,949	33,311	1,638
Total Expenditures	<u>5,759,608</u>	<u>6,524,035</u>	<u>6,290,856</u>	<u>233,179</u>
Excess Revenues Over (Under)				
Expenditures	2,843,242	2,498,922	2,822,794	323,872
OTHER FINANCING SOURCES (USES)				
Transfers In	-	221,260	221,260	-
Gain (Loss) on the Sale of Capital Assets	-	-	1,000	1,000
Transfers Out	(2,843,242)	(2,645,771)	(2,645,771)	-
Total Other Financing Sources (Uses)	<u>(2,843,242)</u>	<u>(2,424,511)</u>	<u>(2,423,511)</u>	<u>1,000</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	74,411	399,283	324,872
Net Position - Beginning, GAAP Basis	<u>7,551,162</u>	<u>7,551,162</u>	<u>7,551,162</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>7,551,162</u>	\$ <u>7,625,573</u>	7,950,445	\$ <u>324,872</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(191,770)	
Principal Payments - The City budgets for principal debt payments			189,936	
Capital Outlay - The City budgets for capital outlay			320,116	
Net Position- Ending, GAAP Basis			\$ <u>8,268,727</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Water Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Water Department	\$ 1,866,000	\$ 1,795,236	\$ 1,725,413	\$ (69,823)
Interest Revenue	6,000	4,000	4,040	40
Grant Revenue	54,000	1,804,500	1,804,000	(500)
Reimbursed Expenses	-	4,848	5,821	973
Total Revenues	<u>1,926,000</u>	<u>3,608,584</u>	<u>3,539,274</u>	<u>(69,310)</u>
EXPENDITURES				
Water Department	989,381	863,767	754,668	109,099
Bad Debt Expense	9,500	6,500	3,501	2,999
Capital Outlay	122,000	556,680	649,819	(93,139)
Debt Service				
Principal Payments	461,801	461,801	451,452	10,349
Interest Payments	58,699	58,699	43,805	14,894
Total Expenditures	<u>1,641,381</u>	<u>1,947,447</u>	<u>1,903,245</u>	<u>44,202</u>
Excess Revenues Over (Under) Expenditures	284,619	1,661,137	1,636,029	(25,108)
OTHER FINANCING SOURCES (USES)				
Transfers In	54,000	-	2,300	2,300
Loan Proceeds	-	-	(71,890)	(71,890)
Transfers Out	(338,619)	(1,240,191)	(1,221,500)	18,691
Total Other Financing Sources (Uses)	<u>(284,619)</u>	<u>(1,240,191)</u>	<u>(1,291,090)</u>	<u>(50,899)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	420,946	344,939	(76,007)
Net Position - Beginning, GAAP Basis	<u>12,345,495</u>	<u>12,345,495</u>	<u>12,345,495</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>12,345,495</u>	\$ <u>12,766,441</u>	12,690,434	\$ <u>(76,007)</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(486,050)	
Principal Payments - The City budgets for principal debt payments			451,452	
Capital Outlay - The City budgets for capital outlay			649,819	
Loan Proceeds - The City normally budgets for loan proceeds			71,890	
Net Position - Ending, GAAP Basis			<u>\$ 13,377,545</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Gas Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Gas Distribution	\$ 1,427,125	\$ 1,520,727	\$ 1,484,352	\$ (36,375)
Interest Revenue	800	288	290	2
Grant Revenue	54,000	-	-	-
Reimbursed Expenses	-	499	299	(200)
Total Revenues	<u>1,481,925</u>	<u>1,521,514</u>	<u>1,484,941</u>	<u>(36,573)</u>
EXPENDITURES				
Gas Department	826,888	950,252	869,990	80,262
Bad Debt Expense	7,000	7,000	2,504	4,496
Capital Outlay	88,000	31,470	31,470	-
Debt Service				
Principal Payments	65,775	65,775	61,031	4,744
Interest Payments	16,186	16,186	15,067	1,119
Total Expenditures	<u>1,003,849</u>	<u>1,070,683</u>	<u>980,062</u>	<u>90,621</u>
Excess Revenues Over (Under)				
Expenditures	478,076	450,831	504,879	54,048
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	(31,470)	(31,470)
Gain (Loss) on the Sale of Capital Assets	-	-	1,255	1,255
Transfers Out	(478,076)	(450,831)	(389,016)	61,815
Total Other Financing Sources (Uses)	<u>(478,076)</u>	<u>(450,831)</u>	<u>(419,231)</u>	<u>31,600</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	85,648	85,648
Net Position - Beginning, GAAP Basis	<u>2,495,360</u>	<u>2,495,360</u>	<u>2,495,360</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	<u>\$ 2,495,360</u>	<u>\$ 2,495,360</u>	<u>\$ 2,581,008</u>	<u>\$ 85,648</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(97,492)	
Principal Payments - The City budgets for principal debt payments			61,031	
Capital Outlay - The City budgets for capital outlay			31,470	
Lease Proceeds - The City budgets for capital lease proceeds			31,470	
Net Position - Ending, GAAP Basis			<u>\$ 2,607,487</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Solid Waste Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Solid Waste	\$ 1,067,364	\$ 1,040,650	\$ 880,074	\$ (160,576)
Street Sanitation	74,000	74,000	75,468	1,468
Interest Revenue	2,000	2,000	1,960	(40)
Reimbursed Expenses	-	6,306	6,149	(157)
Total Revenues	<u>1,143,364</u>	<u>1,122,956</u>	<u>963,651</u>	<u>(159,305)</u>
EXPENDITURES				
Solid Waste	718,822	797,122	714,727	82,395
Street Sanitation	25,212	29,212	18,975	10,237
Bad Debt Expense	5,000	3,000	6,879	(3,879)
Capital Outlay	203,000	186,286	186,286	-
Debt Service				
Principal Payments	153,578	153,578	126,637	26,941
Interest Payments	15,521	15,521	12,916	2,605
Total Expenditures	<u>1,121,133</u>	<u>1,184,719</u>	<u>1,066,420</u>	<u>118,299</u>
Excess Revenues Over (Under)				
Expenditures	22,231	(61,763)	(102,769)	(41,006)
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	(186,286)	(186,286)
Transfers Out	22,231	-	-	-
Total Other Financing Sources (Uses)	<u>22,231</u>	<u>-</u>	<u>(186,286)</u>	<u>(186,286)</u>
Excess Revenues and Other Sources Over				
(Under) Expenditures and Other Uses	44,462	(61,763)	(289,055)	(227,292)
Net Position - Beginning, GAAP Basis	<u>527,714</u>	<u>527,714</u>	<u>527,714</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	<u>\$ 572,176</u>	<u>\$ 465,951</u>	<u>238,659</u>	<u>\$ (227,292)</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(108,710)	
Principal Payments- The City budgets for principal debt payments			126,637	
Capital Outlay - The City budgets for capital outlay.			186,286	
Lease Proceeds - The City budgets for capital lease proceeds.			186,286	
Net Position - Ending, GAAP Basis			<u>\$ 629,158</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Utility Support Fund
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Utility Support	\$ 155,300	\$ 156,300	\$ 158,913	\$ 2,613
Interest Revenue	3,000	3,000	3,147	147
Grant Revenue	-	35,425	35,426	1
Reimbursed Expenses	-	-	2,424	2,424
Total Revenues	<u>158,300</u>	<u>194,725</u>	<u>199,910</u>	<u>5,185</u>
EXPENDITURES				
Administration	159,710	151,845	139,324	12,521
Meter Shop	58,453	57,153	47,091	10,062
Billing-Collection	198,733	202,743	190,986	11,757
Bad Debt Expense	5,000	5,000	3,205	1,795
Debt Service				
Principal Payments	4,958	4,958	4,958	-
Interest Payments	786	786	758	28
Total Expenditures	<u>427,640</u>	<u>422,485</u>	<u>386,322</u>	<u>36,163</u>
Excess of Revenues Over (Under)				
Expenditures	(269,340)	(227,760)	(186,412)	41,348
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>269,340</u>	<u>227,760</u>	<u>213,069</u>	<u>(14,691)</u>
Total Other Financing Sources (Uses)	<u>269,340</u>	<u>227,760</u>	<u>213,069</u>	<u>(14,691)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	26,657	26,657
Net Position - Beginning, GAAP Basis	<u>2,881,301</u>	<u>2,881,301</u>	<u>2,881,301</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>2,881,301</u>	\$ <u>2,881,301</u>	2,907,958	\$ <u>26,657</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(97,988)	
Principal Payments- The City budgets for principal debt payments			4,958	
Net Position - Ending, GAAP Basis			\$ <u>2,814,928</u>	

CITY OF BRADY, TEXAS

Notes to the Budgetary Comparison Schedules
Proprietary Funds
For the Year Ended September 30, 2015

Budget Requirements, Accounting, and Reporting

The budget requirements for all funds are as follows:

Annual budgets are adopted for all City funds. Under state law, the Mayor submits an annual budget to the City Council for consideration and approval no later than September 30. Such budget is based on expected expenditures by program within a fund and estimated resources by source for all funds.

By Charter the Mayor submits budget amendment ordinances to the City Council. These ordinances are updated for any estimate revisions as well as year-end encumbrances and may include any additional information requested by the City Council. The City Council may subsequently amend such ordinances. Amendments to the appropriation ordinance during the fiscal year are approved by the City Council as provided by the Charter.

For day-to-day management control, expenditures may not exceed the budget at the expenditure-type level (i.e., personnel, operations and maintenance, etc.) of each cost center (activity within a program within a fund). The City Council may transfer unencumbered appropriations within programs within funds.

Appropriation control (the budgeted appropriations approved by the City Council) is by program within a fund. The City Council may, by ordinance, transfer amounts among programs within and between funds. The budgetary basis is the modified accrual basis of accounting.

Budgetary comparison schedules for the Proprietary Funds are presented as Supplemental Information.

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Economic Development Corporation
For the Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
General Revenues				
Sales Tax Collections	\$ 210,000	\$ 258,000	\$ 266,967	\$ 8,967
Interest Income	3,000	3,000	7,126	4,126
Loan Income	59,726	59,726	55,916	(3,810)
Donations	-	-	3,970	3,970
Charges for Services				
Rent Income	56,200	31,200	31,844	644
Total Revenues	<u>328,926</u>	<u>351,926</u>	<u>365,823</u>	<u>13,897</u>
EXPENDITURES				
Current				
Marketing	4,321	5,482	1,000	4,482
Professional/Legal Fees	5,250	40,250	11,116	29,134
Contract for Services	36,000	36,000	36,000	-
Community Development	225,000	252,000	150,900	101,100
Annual Land Lease	250	250	250	-
Travel and Training	4,000	6,000	4,493	1,507
Membership Dues and Fees	4,000	3,303	850	2,453
Insurance	350	350	100	250
Office Supplies	150	150	-	150
Office Equipment	250	250	-	250
Meeting Provisions	250	450	418	32
Property Taxes	2,000	2,747	3,092	(345)
Building Repairs & Maintenance	6,500	6,500	544	5,956
Sundry	250	-	-	-
Capital Outlay	-	-	3,970	(3,970)
Interest Expense	30,000	30,000	7,058	22,942
Debt Service				
Principal Payments	-	-	22,942	(22,942)
Interest Payments	-	-	7,058	(7,058)
Total Expenditures	<u>318,571</u>	<u>383,732</u>	<u>249,791</u>	<u>133,941</u>
Excess of Revenues Over (Under)				
Expenditures	10,355	(31,806)	116,032	147,838
Net Position - Beginning, GAAP Basis	<u>1,276,395</u>	<u>1,276,395</u>	<u>1,276,395</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>1,286,750</u>	\$ <u>1,244,589</u>	1,392,427	\$ <u>147,838</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The EDC does not budget for depreciation expense			(20,471)	
Capital Outlay - The EDC budgets for capital outlay.			3,970	
Loan Income - The EDC normally budgets for loan income			(55,916)	
Loan Proceeds - The EDC normally budgets for loan proceeds			30,000	
Net Position - Ending, GAAP Basis			\$ <u>1,350,010</u>	

CITY OF BRADY, TEXAS

Notes to the Budgetary Comparison Schedules
Economic Development Corporation
For the Year Ended September 30, 2015

Budget Requirements, Accounting, and Reporting

The budget requirements for all funds are as follows:

An annual budget is adopted for all EDC funds. Such budget is based on expected expenditures by program within a fund and estimated resources by source for all funds.

The annual budget may be amended by the EDC before year end. The budget was amended during the fiscal year ending September 30, 2015.

For day-to-day management control, expenditures may not exceed the budget at the expenditure-type level (i.e., personnel, operations and maintenance, etc.) of each cost center (activity within a program within a fund).

Appropriation control (the budgeted appropriations approved by the Board of Directors) is by program within a fund. The Board of Directors may transfer amounts among programs within and between funds. The budgetary basis is the modified accrual basis of accounting.

Budgetary comparison schedules for the EDC is presented as Supplemental Information.

Expenditures Exceeding Budget

The EDC had no expenditures in excess of budgeted amounts for the fiscal year ending September 30, 2015.

CITY OF BRADY, TEXAS

Single Audit Compliance Information
Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	State Expenditures
U.S. Department of Health and Human Services				
Passed Through the Concho Valley Council of Governments				
Title III, Part B - Nutrition Services	93.045	N/A	\$ 32,516	\$ -
Nutrition Services Incentive Program	93.053	N/A	39,596	-
Total U.S. Department of Health and Human Services			<u>72,112</u>	<u>-</u>
U.S. Department of Transportation				
Passed Through the Concho Valley Council of Governments				
Formula Grants for Other Than Urbanized Areas	20.509	N/A	12,713	-
Total U.S. Department of Transportation			<u>12,713</u>	<u>-</u>
U.S. Department of Agriculture				
Passed Through the Texas Department of Agriculture				
Community Development Block Grant	14.228	N/A	2,300	-
Total U.S. Department of Agriculture			<u>2,300</u>	<u>-</u>
Federal Aviation Administration				
Passed Through the Texas Department of Transportation				
Federally Assisted Airport Development Grant	20.106	N/A	23,811	-
Total Federal Aviation Administration			<u>23,811</u>	<u>-</u>
U.S. Department of Interior Fish & Wildlife Service				
Passed Through the Texas Department of Wildlife				
Boating Access Grant Program	15.605	N/A	1,875	-
Total U.S. Department of Interior Fish & Wildlife Service			<u>1,875</u>	<u>-</u>
U.S. Environmental Protection Agency				
Passed Through the Texas Water Development Board				
Capitalization Grants For Clean Water State Revolving Funds - Grant	66.458	GT #LF1000019	320,116	-
Capitalization Grants For Drinking Water State Revolving Funds - Grant	66.568	GT #LF100116	283,391	-
Capitalization Grants For Drinking Water State Revolving Funds - Loan	66.568	GT #L1000115	292,238	-
Total U.S. Environmental Protection Agency			<u>895,745</u>	<u>-</u>
Total Federal Awards Expended			<u>1,008,556</u>	<u>-</u>
State Grantor/Program or Grant Title				
Texas Department of Transportation				
Boat Ramp Grant	N/A	M1523BRAD	-	48,109
Total Texas Department of Transportation			<u>-</u>	<u>48,109</u>
Texas Parks and Wildlife Department				
National Recreational Trails Fund Agreement	N/A	RT11003.1	-	22,328
Total Texas Parks and Wildlife Department			<u>-</u>	<u>22,328</u>
Texas Department of Transportation				
Boat Ramp Grant	N/A	M1523BRAD	-	5,346
Total Texas Department of Transportation			<u>-</u>	<u>5,346</u>
Total State Awards Expended			<u>-</u>	<u>75,783</u>
Total Federal and State Awards Expended			<u>\$ 1,008,556</u>	<u>\$ 75,783</u>

CITY OF BRADY, TEXAS

Single Audit Compliance Information

Notes to the Schedule of Expenditures of Federal and State Awards

For the Year Ended September 30, 2015

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Brady under the programs of the federal government and the State of Texas for the year ended September 30, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the city of Brady, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Brady.

Note B – Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* or cost principles contained in Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as reimbursements.

Note C – Loans Outstanding

City of Brady had the following loan balances outstanding at September 30, 2015. The loans made during the year are included in the SEFSA in the federal expenditures presented in the schedule. Balances and transactions related to these programs are included in the City of Brady's financial statements.

<u>Program Name</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.568	GT #L1000115	\$ 315,000
Capitalization Grants for Clean Water State Revolving Funds	66.458	#L1000011	\$ 1,095,000

CITY OF BRADY, TEXAS

Single Audit Compliance Information
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements	
Type of Auditors’ Report Issued on Financial Statements	Unmodified
Internal Control over Financial Reporting:	
Material Weaknesses	None
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	None
Noncompliance Material to Financial Statements	None
Federal Awards	
Internal Control over Major Programs:	
Material Weaknesses	None
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	None
Type of Auditor’s Report Issued on Compliance for Major Programs	Unmodified
Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a), of OMB Circular A-133	None
Identification of Major Programs:	Capitalization Grants for Drinking Water State Revolving Funds, CFDA No. 66.568 Capitalization Grants for Clean Water State Revolving Funds, CFDA No. 66.458
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no Financial Statement findings.

SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal or State Award findings.

CITY OF BRADY, TEXAS

Single Audit Compliance Information
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2015

No prior year findings.

2702 N. Loop 1604 East, Ste. 202

San Antonio, Texas 78232

Phone (210) 979-0055

Fax (210) 979-0058

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

To the Honorable Mayor and City Council
City of Brady, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brady, Texas (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 29, 2016.

Internal Control over Financial Reporting

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

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

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

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

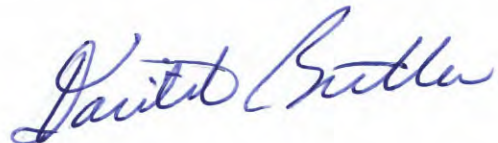
Compliance and Other Matters

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

Purpose of this Report

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

San Antonio, Texas
February 29, 2016

A handwritten signature in blue ink, reading "David Butler".

2702 N. Loop 1604 East, Ste. 202

San Antonio, Texas 78232

Phone (210) 979-0055

Fax (210) 979-0058

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and City Council
City of Brady, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Brady, Texas (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



San Antonio, Texas
February 29, 2016