

CITY OF BRADY, TEXAS
Financial and Compliance Report
For the Year Ended September 30, 2016

CITY OF BRADY, TEXAS

Financial and Compliance Report For the Year Ended September 30, 2016

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INTRODUCTORY SECTION

CITY OF BRADY, TEXAS

City Officials

Anthony Groves Mayor
Kathy Gloria Mayor Pro-Tem
Marilyn Gendusa Council Member
Shelly Perkins Council Member
Jane Huffman Council Member
James Griffin Council Member
Kim Lenoir City Manager
Lisa Remini Director of Finance

FINANCIAL SECTION

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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 aggregate 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, 2016, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brady, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the governmental funds budgetary comparison information, and the Schedule of Changes in Net Position and Related Ratios – Last 10 Years on pages 74-78, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 March 31, 2017, 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 "Daniel R. Butler".

San Antonio, Texas
March 31, 2017

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2016

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, 2016. 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, 2016 by \$37,968,325. Of this amount \$10,176,918 or 27% 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 \$1,428,235 during the year.
- The total cost of all the City's programs was \$16,432,653, representing a slight decrease from last year by \$619,844 or 3.6%.
- During the year, the City had operating expenses of \$7,833,628 for governmental activities, which was \$2,581,510 more than the \$5,252,118 generated in program and general revenues. Once budgeted transfers from business-type activities of \$3,866,054 are recognized, governmental net position reflects an increase of 13% in the amount of \$1,284,544.
- The City's business-type activities, after transfers to the general fund, reflect an increase in business-type net assets by \$143,691.
- The City reduced its' total long-term debt obligations by \$556,741 or 6.3%.
- During the year, the EDC's net position decreased by \$589,530 from \$1,350,010 to \$760,480.

CITY OF BRADY, TEXAS

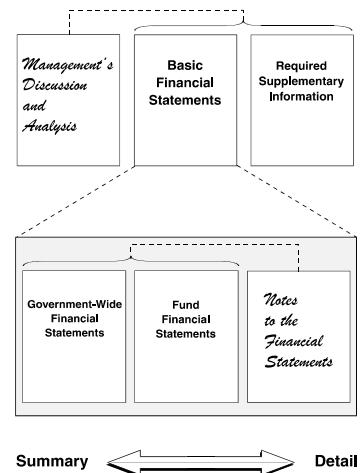
Management's Discussion and Analysis For the Year Ended September 30, 2016

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, 2016

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 2015, as its net position increased by \$1,428,235 or 3.8%. 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 2% 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 \$2,263,561 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 \$37,968,325 as of September 30, 2016. The City's total unrestricted net position of \$10,176,918, the amount that can be used to finance day-to-day operations, increased by 2.8% compared to last year's balance.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2016

The following reflects a comparative condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2016	2015	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 3,702,886	\$ 3,482,287	\$ 8,929,375	\$ 9,014,849	\$ 12,632,261	\$ 12,497,136	\$ 457,513	\$ 1,046,986
Capital and Other Long-term Assets	9,692,062	8,284,218	27,398,311	28,014,509	37,090,373	36,298,727	394,441	427,483
Total Assets	<u>13,394,948</u>	<u>11,766,505</u>	<u>36,327,686</u>	<u>37,029,358</u>	<u>49,722,634</u>	<u>48,795,863</u>	<u>851,954</u>	<u>1,474,469</u>
Deferred Outflows								
Deferred Pension Related Outflows	428,549	243,939	182,108	98,680	610,657	342,619	-	-
Total Deferred Outflows	<u>428,549</u>	<u>243,939</u>	<u>182,108</u>	<u>98,680</u>	<u>610,657</u>	<u>342,619</u>	<u>-</u>	<u>-</u>
Current Liabilities	850,708	623,177	1,335,300	1,796,988	2,186,008	2,420,165	26,352	123,255
Non-Current Liabilities	2,637,210	2,484,435	7,244,235	7,608,696	9,881,445	10,093,131	65,122	1,204
Total Liabilities	<u>3,487,918</u>	<u>3,107,612</u>	<u>8,579,535</u>	<u>9,405,684</u>	<u>12,067,453</u>	<u>12,513,296</u>	<u>91,474</u>	<u>124,459</u>
Deferred Inflows								
Deferred Pension Related Inflows	208,790	60,587	88,723	24,509	297,513	85,096	-	-
Total Deferred Inflows	<u>208,790</u>	<u>60,587</u>	<u>88,723</u>	<u>24,509</u>	<u>297,513</u>	<u>85,096</u>	<u>-</u>	<u>-</u>
Net Position:								
Invested in Capital Assets,								
Net of Related Debt	7,654,955	6,209,688	16,797,102	15,850,083	24,452,057	22,059,771	308,050	238,344
Restricted	208,273	332,599	3,131,077	4,109,482	3,339,350	4,442,081	-	-
Unrestricted	2,263,561	2,299,958	7,913,357	7,738,280	10,176,918	10,038,238	452,430	1,111,666
TOTAL NET POSITION	<u>\$ 10,126,789</u>	<u>\$ 8,842,245</u>	<u>\$ 27,841,536</u>	<u>\$ 27,697,845</u>	<u>\$ 37,968,325</u>	<u>\$ 36,540,090</u>	<u>\$ 760,480</u>	<u>\$ 1,350,010</u>

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2016

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	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues								
Program Revenues:								
Charges for Services	\$ 1,829,642	\$ 1,685,018	\$ 12,499,285	\$ 13,450,200	\$ 14,328,927	\$ 15,135,218	\$ 26,201	\$ 31,844
Grants and Contributions	1,082,706	679,748	98,454	1,839,426	1,181,160	2,519,174	-	-
General Revenues:								
Property Taxes	796,867	737,747	-	-	796,867	737,747	-	-
Sales Taxes	1,208,712	1,359,667	-	-	1,208,712	1,359,667	241,318	266,967
Other Taxes	247,004	277,716	-	-	247,004	277,716	-	-
Investment Earnings	74,954	56,631	8,527	11,800	83,481	68,431	3,096	7,126
Other Revenue	883	4,400	4	-	887	4,400	207	-
Gain(Loss) on Disposal of Assets	11,350	12,173	2,500	2,255	13,850	14,428	-	-
Donations	-	-	-	-	-	-	-	3,970
TOTAL REVENUES	5,252,118	4,813,100	12,608,770	15,303,681	17,860,888	20,116,781	270,822	309,907
Expenses								
Utility Enterprises								
General Government	-	-	8,599,025	9,587,210	8,599,025	9,587,210	-	-
Public Safety	1,155,446	1,076,696	-	-	1,155,446	1,076,696	-	-
Streets	2,981,800	2,767,660	-	-	2,981,800	2,767,660	-	-
Recreation and Leisure	831,685	625,611	-	-	831,685	625,611	-	-
Community Development	2,034,212	2,215,813	-	-	2,034,212	2,215,813	-	-
Interest and Amortization	797,507	727,905	-	-	797,507	727,905	-	-
Component Unit	32,978	51,602	-	-	32,978	51,602	-	-
TOTAL EXPENSES	7,833,628	7,465,287	8,599,025	9,587,210	16,432,653	17,052,497	860,352	236,292
Excess (Deficiency) before Transfers	(2,581,510)	(2,652,187)	4,009,745	5,716,471	1,428,235	3,064,284	(589,530)	73,615
Transfers	3,866,054	3,819,658	(3,866,054)	(3,819,658)	-	-	-	-
Increase (Decrease) in Net Position	1,284,544	1,167,471	143,691	1,896,813	1,428,235	3,064,284	(589,530)	73,615
Net Position - Beginning	8,842,245	8,457,335	27,697,845	26,117,590	36,540,090	34,574,925	1,350,010	1,276,395
Prior Period Adjustments**	-	(782,561)	-	(316,558)	-	(1,099,119)	-	-
Net Position - Beginning as Restated	8,842,245	7,674,774	27,697,845	25,801,032	36,540,090	33,475,806	1,350,010	1,276,395
Net Position - Ending	\$ 10,126,789	\$ 8,842,245	\$ 27,841,536	\$ 27,697,845	\$ 37,968,325	\$ 36,540,090	\$ 760,480	\$ 1,350,010

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

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2016

Total Primary Government Activities

Overall, total primary government revenues for fiscal year 2016 decreased by \$2,255,893 or 11.2% compared to fiscal year 2015 due to a decrease in grants and contributions of \$1,338,014 and service charges of \$806,291 due to lower pass-thru sales for electricity and natural gas.

Overall, total primary government expenditures decreased by \$619,844 or 3.6%; primarily as the result of decreased business-type activities costs in the amount of \$988,185 due in large part to lower wholesale purchase costs of electricity and natural gas. Additionally, costs to support Recreation and Leisure activities decrease by \$181,591. However, in an effort to provide for better salaries and more personnel, Public Safety costs increased by \$214,140. Increased efforts to provide for street maintenance increased costs by \$206,074. Also, increased legal assistance and communication efforts resulted in general government costs increasing by \$78,750.

Governmental Activities

The result of fiscal year 2016 governmental activity records an increase of \$1,284,544, after a \$3,866,054 transfer from proprietary funds, in net position, to \$10,126,789. Of the total governmental activities' net position, \$7,654,955 is invested in capital assets, net of related debt, and \$2,263,561 is unrestricted, that is, having no legal commitment.

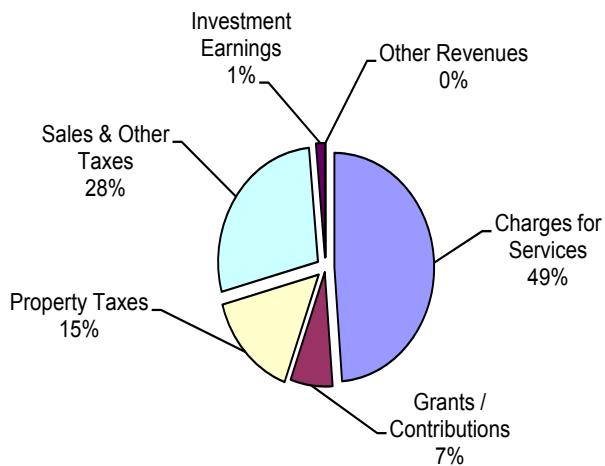
Governmental activities reflect a 34% increase in charges for services revenue due largely to an increase in contributions from the EDC to improve the Civic Center in the amount of \$574,750 compared to last year.

The City continues to secure grant awards, and was given \$357,056 to fund specific capital infrastructure improvements during fiscal year 2016. Sales tax revenues decreased, reflecting 12.5% decrease, or \$150,955 less compared to 2015 collections.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2016

Revenues – Governmental Activities Fiscal Year Ending September 30, 2016



For fiscal year 2016, 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 99% 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 \$517,180 or 20% of the \$2,555,292 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 \$514,732 or 20% of the total dollars charged for services this year. The lake department generated rental fees and donations in the amount of \$144,159 or 6% 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 54% of total service charge revenues.

The City received \$1,208,712 in sales tax revenues, which is a 11% decrease from last year's total collections. Included in other taxes are hotel occupancy tax collections of \$206,538 that were passed on to the Chamber of Commerce, and other qualifying organizations for the promotion of tourism to enhance sales tax dollars to the City.

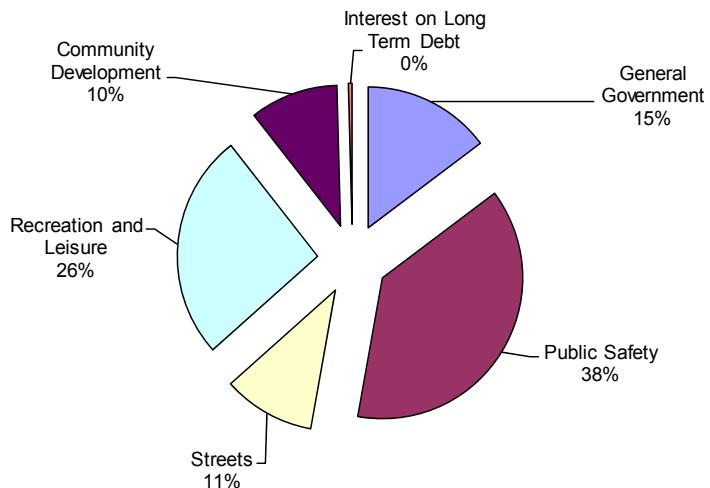
Grant/contribution revenue increased by \$402,958 from last year due to the City receiving additional grant funding from the EDC as compared to the prior year.

The City maintains a property tax rate at \$0.344378 per \$100 of 2015 values; and collected \$796,867 in property tax revenue.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2016

Expenses – Governmental Activities Fiscal Year Ending September 30, 2016



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, \$2,981,800 and \$2,034,212, respectively, of the \$7,833,628 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 36% of expenditures is closely divided among general and administrative costs totaling \$1,155,446, community development totaling \$797,507, street maintenance totaling \$831,685, and interest and amortization totaling \$32,978.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2016

Business-Type Activities

The business-type activities increased the City's net position by \$143,691.

Of the total business-type activities' net position, \$16,797,102 is invested in capital assets, net of related debt, and \$7,913,357 is unrestricted, that is, having no legal commitment. In addition, it maintains fully funded restricted reserve levels of \$105,158 for debt service requirements and \$3,025,919 for State and Federally fund projects.

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

The cost of all business-type activities this year decreased by 10.3% to \$8,599,025. As shown in the statement of activities, the amounts charged to users of the utility services totaled \$12,499,285. Due to varying weather conditions, consumption sales decreased from last year, reflecting an 8% decrease of \$950,915 in total services charged for the business-type activities. Additional revenue sources included investment earnings of \$8,527 and Grants and Contributions totaling \$98,454. In total, excess revenues over expenditures for the year was \$4,009,745.

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 \$3,866,054 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, 2016

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 annual financial statements, 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, 2016

FUND FINANCIAL STATEMENT ANALYSIS

Governmental Type Funds

The City reports a combined governmental fund balance of \$3,409,447, reflecting a decrease of \$56,167 in comparison with the previous year. Unassigned fund balance equals \$3,158,847 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 strong as it represents five months of 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 2016 and all funds continue to maintain a healthy level of unrestricted fund balances ranging from 6 to 11 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, the Brady Economic Development Center, at September 30, 2016, 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, 2016

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, 2016 is \$32,694,970, net of accumulated depreciation. The majority, 79%, of the City's capital assets is invested in buildings, improvements, and infrastructure.

Governmental activities report the addition of \$611,185 in various capital enhancements, including municipal court building improvements, a new ambulance for EMS service, vehicles for the police department, and various equipment purchases.

Business activities report additions of \$249,558 in capital assets. Various infrastructure improvements were made in the electric, water, and solid waste departments, a trash truck, and several vehicles were purchased.

The principal project for the governmental activities includes completion of the renovation of the Civic Center. Principal projects for the business-type activities are providing for a new wastewater treatment plant, implementing structural improvements to the water distribution system, and supporting the utility improvements needed for the street renovation on Highway 337 North conducted by TXDOT.

The following is a summary statement of the City's capital assets as of September 30, 2016:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2016	2015	2016	2015	2016	2015	2016	2015
Land	\$ 756,484	\$ 735,484	\$ 87,509	\$ 84,829	\$ 843,993	\$ 820,313	\$ 13,643	\$ 13,643
Buildings	7,549,303	7,549,303	15,541,493	15,541,493	23,090,796	23,090,796	452,953	452,953
Equipment	2,145,822	2,151,216	2,883,949	2,773,403	5,029,771	4,924,619	-	-
Vehicles	1,359,776	1,078,215	842,105	841,896	2,201,881	1,920,111	-	-
Infrastructure	9,348,441	9,216,785	14,291,583	14,292,781	23,640,024	23,509,566	-	-
Construction in Progress	2,029,935	293,064	2,640,179	1,588,452	4,670,114	1,881,516	-	-
Less:								
Accumulated Depreciation	(13,705,972)	(13,072,448)	(13,075,637)	(12,215,051)	(26,781,609)	(25,287,499)	(132,944)	(112,473)
Total	\$ 9,483,789	\$ 7,951,619	\$ 23,211,181	\$ 22,907,803	\$ 32,694,970	\$ 30,859,422	\$ 333,652	\$ 354,123

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2016

Debt Administration

At September 30, 2016, the City's total bonds, notes and capital leases outstanding reflect a decrease of \$556,741 compared to prior year. In reviewing the Governmental Activities, notes totaling \$402,412 were issued. In reviewing the Business-type Activities, three notes in the amount of \$204,679 were issued.

All scheduled payments were met according to terms.

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

The following is a summary statement of outstanding debt as of September 30, 2016:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2016	2015	2016	2015	2016	2015	2016	2015
General Obligation Refunding Bonds	\$ 1,200,500	\$ 1,381,800	\$ 24,500	\$ 28,200	\$ 1,225,000	\$ 1,410,000	-	\$ -
Certificates of Obligations	-	-	4,410,000	4,870,000	4,410,000	4,870,000	-	-
Notes to Financial Institutions	3,137	30,800	1,438,638	1,644,785	1,441,775	1,675,585	89,520	115,779
Equipment Capital Leases	625,197	329,331	540,941	514,738	1,166,138	844,069	-	-
Total Bonds, Notes, and Capital Leases	\$ 1,828,834	\$ 1,741,931	\$ 6,414,079	\$ 7,057,723	\$ 8,242,913	\$ 8,799,654	\$ 89,520	\$ 115,779

Total compensated absences for Governmental Funds are \$103,770 and \$33,091 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 for municipal purposes.

Final budget comparisons to actual performance are considered reasonable and reflect that final budget projections were under budget compared to total general fund revenues by \$83,007, and total expenditures were under budget by \$1,140,266, resulting in a net variance to the final budget of \$1,223,273 before transfers.

The original revenue projections for the general fund budget were increased at the mid-year budget review by \$642,074 primarily to recognize the approved EDC contributions to the Civic Center remodel project.

The original expenditure projections for the general fund budget were also adjusted mid-year by increasing expenditures by \$1,077,053. 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, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials considered many factors when setting the fiscal year 2017 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 2017. Council adopted utility rate increases for the electric, water and wastewater distribution systems, along with a rate increase for the trash services. Cost efficiencies to support the 2017 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 2017 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, 2016

	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-Type Activities	TOTAL	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 3,276,230	\$ 8,123,686	\$ 11,399,916	\$ 453,266
Receivables, Net of Allowances	384,329	653,150	1,037,479	1,747
Inventory	31,434	146,179	177,613	-
Prepaid Expenses	10,893	6,360	17,253	2,500
Total Current Assets	3,702,886	8,929,375	12,632,261	457,513
Noncurrent Assets				
Restricted Cash and Cash Equivalents	208,273	4,184,783	4,393,056	-
Other Receivables, Net	-	-	-	60,789
Bond Insurance Premium, Net of Amortization	-	2,347	2,347	-
Land	756,484	87,509	843,993	13,643
Construction in Progress	2,029,935	2,640,179	4,670,114	-
Property and Equipment, Net of Depreciation	6,697,370	20,483,493	27,180,863	320,009
Total Noncurrent Assets	9,692,062	27,398,311	37,090,373	394,441
Total Assets	13,394,948	36,327,686	49,722,634	851,954
DEFERRED OUTFLOWS				
Deferred Pension Related Outflows	428,549	182,108	610,657	-
Total Deferred Outflows	428,549	182,108	610,657	-
LIABILITIES				
Current Liabilities				
Accounts Payable	459,612	608,288	1,067,900	-
Accrued Expenses	11,415	-	11,415	-
Interest Payable	4,050	13,032	17,082	750
Other Payables	-	12,218	12,218	-
Bonds, Notes, and Leases Payable	375,631	701,762	1,077,393	25,602
Total Current Liabilities	850,708	1,335,300	2,186,008	26,352
Noncurrent Liabilities				
Accrued Compensated Absences	103,770	33,091	136,861	-
Bond Premium, Net of Amortization	32,736	-	32,736	-
Landfill Closure	-	382,041	382,041	-
Customer Deposits	-	671,665	671,665	-
Deferred Revenues	-	-	-	1,204
Net Pension Liability	1,047,501	445,121	1,492,622	-
Bonds, Notes, and Leases Payable	1,453,203	5,712,317	7,165,520	63,918
Total Noncurrent Liabilities	2,637,210	7,244,235	9,881,445	65,122
Total Liabilities	3,487,918	8,579,535	12,067,453	91,474
DEFERRED INFLOWS				
Deferred Pension Related Inflows	208,790	88,723	297,513	-
Total Deferred Inflows	208,790	88,723	297,513	-
NET POSITION				
Invested in Capital Assets, Net of Related Debt	7,654,955	16,797,102	24,452,057	308,050
Restricted	208,273	3,131,077	3,339,350	-
Unrestricted	2,263,561	7,913,357	10,176,918	452,430
Total Net Position	\$ 10,126,789	\$ 27,841,536	\$ 37,968,325	\$ 760,480

CITY OF BRADY, TEXAS

Statement of Activities For the Year Ended September 30, 2016

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Administration	\$ 583,622	\$ 40,711	\$ -	\$ -
Airport	897,613	517,180	-	13,364
Public Property Maintenance	446,367	96,059	15,000	-
Mayor and Council	73,609	492	-	-
Golf Course	292,600	92,633	10,134	-
Swimming Pool	96,446	26,024	-	-
Fire Department	842,583	101,323	-	-
Police Department	801,086	7,621	-	-
Emergency Operations	13,139	62,000	-	-
Communications	297,843	-	-	-
Community Services Administration	111,078	44,242	-	-
Street Department	831,685	11,283	-	-
Civic Center	2,037	200	725,650	-
Municipal Court	55,964	49,243	-	-
Community Services	2,250	-	-	-
Repair Shop	54,792	-	-	-
Animal Control	98,003	525	-	-
EMS	695,621	514,732	-	-
Lake Department	224,737	144,159	-	-
Financial Administration	271,953	6,300	-	-
Building Inspection and Permits	177,561	37,923	-	-
G. Rollie White Complex	74,412	328	-	-
Purchasing	60,392	-	-	-
Special Revenue Fund	795,257	76,664	68,558	250,000
Interest on Long-Term Debt	32,978	-	-	-
Total Governmental Activities	7,833,628	1,829,642	819,342	263,364
Business-Type Activities				
Sewer	441,263	844,204	-	5,622
Electric	4,544,695	7,368,430	-	-
Water	1,422,209	1,871,842	2,680	130
Gas	791,141	1,174,319	-	-
Solid Waste	840,422	1,007,964	-	-
Utility Support	559,295	232,526	-	90,022
Total Business-Type Activities	8,599,025	12,499,285	2,680	95,774
Total Primary Government	\$ 16,432,653	\$ 14,328,927	\$ 822,022	\$ 359,138
Total Component Unit	\$ 860,352	\$ 26,201	\$ -	\$ -
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				
Transfers				
Total General Revenues, Special Items, and Transfers				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

CITY OF BRADY, TEXAS

Statement of Activities
For the Year Ended September 30, 2016

Net (Expense) Revenue and Changes in Net Position			
	Governmental Activities	Business-Type Activities	Total
			Total Component Unit
\$	(542,911)	-	\$ (542,911)
	(367,069)	-	(367,069)
	(335,308)	-	(335,308)
	(73,117)	-	(73,117)
	(189,833)	-	(189,833)
	(70,422)	-	(70,422)
	(741,260)	-	(741,260)
	(793,465)	-	(793,465)
	48,861	-	48,861
	(297,843)	-	(297,843)
	(66,836)	-	(66,836)
	(820,402)	-	(820,402)
	723,813	-	723,813
	(6,721)	-	(6,721)
	(2,250)	-	(2,250)
	(54,792)	-	(54,792)
	(97,478)	-	(97,478)
	(180,889)	-	(180,889)
	(80,578)	-	(80,578)
	(265,653)	-	(265,653)
	(139,638)	-	(139,638)
	(74,084)	-	(74,084)
	(60,392)	-	(60,392)
	(400,035)	-	(400,035)
	(32,978)	-	(32,978)
	(4,921,280)	-	(4,921,280)
			-
	-	408,563	408,563
	-	2,823,735	2,823,735
	-	452,443	452,443
	-	383,178	383,178
	-	167,542	167,542
	-	(236,747)	(236,747)
	-	3,998,714	3,998,714
			-
\$	(4,921,280)	\$ 3,998,714	\$ (922,566)
			-
\$	-	\$ -	\$ (834,151)
	796,867	-	796,867
	1,208,712	-	1,208,712
	35,322	-	35,322
	5,144	-	5,144
	206,538	-	206,538
	74,954	8,527	83,481
	883	4	887
	11,350	2,500	13,850
	3,866,054	(3,866,054)	-
	6,205,824	(3,855,023)	2,350,801
	1,284,544	143,691	1,428,235
	8,842,245	27,697,845	36,540,090
	\$ 10,126,789	\$ 27,841,536	\$ 37,968,325
			\$ 760,480

CITY OF BRADY, TEXAS

Statement of Activities
For the Year Ended September 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 3,319,581	\$ 164,922	\$ 3,484,503
Receivables, Net of Allowances:			
Property Taxes	34,856	184	35,040
Accounts Receivables	36,085	313,204	349,289
Inventory	31,434	-	31,434
Prepays	10,893	-	10,893
Total Assets	\$ <u>3,432,849</u>	\$ <u>478,310</u>	\$ <u>3,911,159</u>
LIABILITIES			
Accounts Payable	\$ 383,214	\$ 76,398	\$ 459,612
Accrued Expenses	11,415	-	11,415
Total Liabilities	\$ <u>394,629</u>	\$ <u>76,398</u>	\$ <u>471,027</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	\$ 30,685	-	\$ 30,685
	\$ <u>30,685</u>	\$ <u>-</u>	\$ <u>30,685</u>
FUND BALANCES			
Fund Balance:			
Nonspendable	42,327	-	42,327
Restricted	43,351	164,922	208,273
Unassigned	2,921,857	236,990	3,158,847
Total Fund Balance	\$ <u>3,007,535</u>	\$ <u>401,912</u>	\$ <u>3,409,447</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>3,432,849</u>	\$ <u>478,310</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 \$13,705,972			9,483,789
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			428,549
Pension Related Deferred Inflows			(208,790)
Net Pension Liability			(1,047,501)
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			30,685
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Notes, Bonds, and Capital Leases			(1,828,834)
Bond Premium, Net of Amortization			(32,736)
Interest Payable			(4,050)
Accrued Compensated Absences			(103,770)
Net Position of Governmental Activities	\$ <u>10,126,789</u>		

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Property Tax	\$ 794,666	\$ -	\$ 794,666
Sales Tax	971,716	236,996	1,208,712
Franchise Tax	35,322	-	35,322
Occupancy Tax	-	206,538	206,538
Mixed Beverage Tax	5,144	-	5,144
Interest Income	74,954	-	74,954
Miscellaneous Revenue	883	-	883
Reimbursed Expenses	27,984	63	28,047
Administrative	40,333	-	40,333
Airport	517,180	-	517,180
Public Property Maintenance	94,957	-	94,957
Golf Course	86,750	-	86,750
Swimming Pool	26,024	-	26,024
Fire Department	100,385	-	100,385
Police Department	4,065	-	4,065
Emergency Operations	62,000	-	62,000
Community Services Administration	30,000	-	30,000
Street Department	11,245	-	11,245
Civic Center	725,850	-	725,850
Pass-Through Services	-	3,579	3,579
Senior Citizen Program	-	26,257	26,257
Municipal Court	49,243	-	49,243
Animal Control	525	-	525
City/County EMS	514,732	-	514,732
Lake Department	143,132	-	143,132
Community Development	-	200,000	200,000
Cemetery Maintenance	-	46,765	46,765
Financial Administration	6,300	-	6,300
Building Inspection and Permits	37,923	-	37,923
Donations	25,134	297	25,431
Grant Revenues	13,364	118,261	131,625
Total Revenues	\$ 4,399,811	\$ 838,756	\$ 5,238,567

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended September 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
EXPENDITURES			
Current:			
Administration	\$ 545,338	\$ -	\$ 545,338
Airport	610,353	-	610,353
Public Property Maintenance	325,546	-	325,546
Mayor and Council	73,589	-	73,589
Golf Course	264,968	-	264,968
Swimming Pool	96,446	-	96,446
Fire Department	799,268	-	799,268
Police Department	716,480	-	716,480
Emergency Operations	2,519	-	2,519
Communications	291,616	-	291,616
Community Services Administration	107,765	-	107,765
Street Department	586,005	-	586,005
Civic Center	1,491	-	1,491
Pass-Through Services	-	465,352	465,352
Senior Citizens Program	-	242,391	242,391
Municipal Court	54,462	-	54,462
Community Services	2,250	-	2,250
Repair Shop	53,349	-	53,349
Animal Control	95,476	-	95,476
City/County EMS	614,328	-	614,328
Lake Department	196,323	-	196,323
G.R. White Complex	67,676	-	67,676
Purchasing	58,419	-	58,419
Financial Administration	266,970	-	266,970
Community Development	-	75,757	75,757
Cemetery Maintenance	-	8,527	8,527
Building Inspection and Permits	168,794	-	168,794
Capital Outlay	2,130,901	290,236	2,421,137
Debt Service:			
Principal	315,509	-	315,509
Interest	46,446	-	46,446
Total Expenditures	<u>8,492,287</u>	<u>1,082,263</u>	<u>9,574,550</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,092,476)	(243,507)	(4,335,983)
Other Financing Sources (Uses)			
Lease Proceeds	402,412	-	402,412
Sale of Fixed Assets	11,350	-	11,350
Transfers In	<u>3,582,099</u>	<u>283,955</u>	<u>3,866,054</u>
Total Other Financing Sources (Uses)	<u>3,995,861</u>	<u>283,955</u>	<u>4,279,816</u>
Change in Fund Balances	(96,615)	40,448	(56,167)
Total Net Position - Beginning of Year	3,104,150	361,464	3,465,614
Total Fund Balances - End of Year	<u>\$ 3,007,535</u>	<u>\$ 401,912</u>	<u>\$ 3,409,447</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended September 30, 2016

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	\$ (56,167)
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	2,421,137
Depreciation Expense	(836,886)
Gains/Losses on fixed asset disposals do not provide or use current financial resources and are therefore not reported in the funds.	11,350
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	(402,412)
Bond Premium	(32,736)
Bond and Lease Principal Payments	315,509
Deferred Interest on Refunded Bond	(14,723)
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	(2,201)
The change in net position liability and deferred inflows and outflows related to the City's TMRS pension liability:	(93,797)
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	4,050
Accrued Compensated Absences	(26,428)
Change in Net Position of Governmental Activities	\$ <u>1,284,544</u>

CITY OF BRADY, TEXAS

Statement of Net Position
 Proprietary Funds
 As of September 30, 2016

	Sewer and Electric	Water Department	Gas Department
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 5,238,415	\$ 1,120,776	\$ 1,196,953
Receivables:			
Accounts, Net	366,294	98,433	37,475
Other	-	-	-
Inventory	-	-	-
Prepaid Expenses	-	2,135	705
Total Current Assets	<u>5,604,709</u>	<u>1,221,344</u>	<u>1,235,133</u>
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents	1,915,752	1,216,600	-
Bond Insurance Premium, Net of Amortization	2,347	-	-
Capital Assets:			
Land	12,397	7,212	500
Construction in Progress	848,828	1,779,684	11,667
Property & Equipment	7,530,972	19,010,524	2,293,184
Accumulated Depreciation	(5,193,189)	(5,317,936)	(713,743)
Total Noncurrent Assets	<u>5,117,107</u>	<u>16,696,084</u>	<u>1,591,608</u>
Total Assets	<u>10,721,816</u>	<u>17,917,428</u>	<u>2,826,741</u>
DEFERRED OUTFLOWS			
Deferred Pension Related Outflows	<u>55,038</u>	<u>39,618</u>	<u>21,040</u>
Total Deferred Outflows	<u>55,038</u>	<u>39,618</u>	<u>21,040</u>
LIABILITIES			
Current			
Accounts Payable	368,063	168,078	16,375
Interest Payable	3,861	5,726	2,585
Other Payables	-	-	-
Bonds, Notes and Leases Payable	173,319	378,222	65,562
Total Current Liabilities	<u>545,243</u>	<u>552,026</u>	<u>84,522</u>
Noncurrent			
Accrued Compensated Absences	14,014	5,632	2,723
Landfill Closure	-	-	-
Utility Deposits	-	-	-
Net Pension Liability	131,018	96,853	50,579
Bonds, Notes and Leases Payable	1,171,653	3,858,643	338,974
Total Noncurrent Liabilities	<u>1,316,685</u>	<u>3,961,128</u>	<u>392,276</u>
Total Liabilities	<u>1,861,928</u>	<u>4,513,154</u>	<u>476,798</u>
DEFERRED INFLOWS			
Deferred Pension Related Inflows	<u>27,452</u>	<u>19,298</u>	<u>10,405</u>
Total Deferred Inflows	<u>27,452</u>	<u>19,298</u>	<u>10,405</u>
NET POSITION			
Net Position, Invested in Capital Assets,			
Net of Related Debt	1,854,036	11,242,619	1,187,072
Restricted Net Position	1,867,318	1,196,751	-
Unrestricted Net Assets	5,166,120	985,224	1,173,506
Total Net Position	<u>\$ 8,887,474</u>	<u>\$ 13,424,594</u>	<u>\$ 2,360,578</u>

CITY OF BRADY, TEXAS

Statement of Net Position (Continued)
 Proprietary Funds
 As of September 30, 2016

	Solid Waste	Utility Support	Totals
\$	548,856	\$ 18,686	\$ 8,123,686
	39,213	99,031	640,446
	-	12,704	12,704
	-	146,179	146,179
	3,520	-	6,360
	<u>591,589</u>	<u>276,600</u>	<u>8,929,375</u>
	380,766	671,665	4,184,783
	-	-	2,347
	67,400	-	87,509
	-	-	2,640,179
	1,889,789	2,834,661	33,559,130
	<u>(1,414,613)</u>	<u>(436,156)</u>	<u>(13,075,637)</u>
	<u>923,342</u>	<u>3,070,170</u>	<u>27,398,311</u>
	<u>1,514,931</u>	<u>3,346,770</u>	<u>36,327,686</u>
	44,635	21,777	182,108
	<u>44,635</u>	<u>21,777</u>	<u>182,108</u>
	20,680	35,092	608,288
	840	20	13,032
	-	12,218	12,218
	79,291	5,368	701,762
	<u>100,811</u>	<u>52,698</u>	<u>1,335,300</u>
	8,689	2,033	33,091
	382,041	-	382,041
	-	671,665	671,665
	112,238	54,433	445,121
	336,509	6,538	5,712,317
	<u>839,477</u>	<u>734,669</u>	<u>7,244,235</u>
	<u>940,288</u>	<u>787,367</u>	<u>8,579,535</u>
	21,176	10,392	88,723
	<u>21,176</u>	<u>10,392</u>	<u>88,723</u>
	126,776	2,386,599	16,797,102
	67,008	-	3,131,077
	404,318	184,189	7,913,357
\$	<u>598,102</u>	<u>2,570,788</u>	<u>\$ 27,841,536</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 For the Year Ended September 30, 2016

	Sewer and Electric	Water Department	Gas Department
OPERATING REVENUES			
Charges for Services:			
Electrical Distribution	\$ 7,366,411	\$ -	\$ -
Wastewater	844,204	-	-
Water Department	-	1,864,712	-
Gas Department	-	-	1,172,658
Solid Waste	-	-	-
Street Sanitation	-	-	-
Utility Support	-	-	-
Grant Revenue	5,622	130	-
Miscellaneous Revenues	-	-	-
Reimbursed Expenses	2,019	7,130	1,661
Total Operating Revenues	<u>8,218,256</u>	<u>1,871,972</u>	<u>1,174,319</u>
OPERATING EXPENSES			
Sewer and Electric Department			
Power Plant	19,168	-	-
Electrical Distribution	4,395,701	-	-
Wastewater	351,891	-	-
Water Department			
Public Works Administration	-	111,156	-
Water	-	771,104	-
Gas Department			
Gas	-	-	666,678
Solid Waste Department			
Solid Waste	-	-	-
Street Sanitation	-	-	-
Utility Support:			
Administration	-	-	-
Meter Shop	-	-	-
Billing-Collection	-	-	-
Bad Debt Expense	21,833	5,845	2,004
Depreciation	166,847	496,390	107,499
Total Operating Expenses	<u>4,955,440</u>	<u>1,384,495</u>	<u>776,181</u>
Operating Income (Loss)	3,262,816	487,477	398,138
NON-OPERATING REVENUES (EXPENSES)			
Gain (Loss) on the Disposal of Capital Assets	2,500	-	-
Interest Income	483	2,687	-
Interest Expense	(30,518)	(37,714)	(14,960)
Donated Assets	-	2,680	-
Total Non-Operating Revenues (Expenses)	<u>(27,535)</u>	<u>(32,347)</u>	<u>(14,960)</u>
Income (Loss) Before Transfers	3,235,281	455,130	383,178
Transfers Out	(2,616,534)	(408,081)	(630,087)
Change in Net Position	618,747	47,049	(246,909)
Total Net Position - Beginning	8,268,727	13,377,545	2,607,487
Total Net Position - Ending	<u>\$ 8,887,474</u>	<u>\$ 13,424,594</u>	<u>\$ 2,360,578</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenses, and Changes in Net Position (Continued)
 Proprietary Funds
 For the Year Ended September 30, 2016

Solid Waste	Utility Support	Totals
\$ -	\$ -	\$ 7,366,411
-	-	844,204
-	-	1,864,712
-	-	1,172,658
930,503	-	930,503
75,076	-	75,076
-	232,281	232,281
-	90,022	95,774
-	4	4
2,385	245	13,440
<u>1,007,964</u>	<u>322,552</u>	<u>12,595,063</u>
-	-	19,168
-	-	4,395,701
-	-	351,891
-	-	111,156
-	-	771,104
-	-	666,678
663,184	-	663,184
24,370	-	24,370
-	196,962	196,962
-	56,963	56,963
-	204,252	204,252
5,047	2,497	37,226
131,863	97,988	1,000,587
<u>824,464</u>	<u>558,662</u>	<u>8,499,242</u>
183,500	(236,110)	4,095,821
-	-	2,500
2,114	3,243	8,527
(15,958)	(633)	(99,783)
-	-	2,680
<u>(13,844)</u>	<u>2,610</u>	<u>(86,076)</u>
169,656	(233,500)	4,009,745
<u>(200,712)</u>	<u>(10,640)</u>	<u>(3,866,054)</u>
(31,056)	(244,140)	143,691
629,158	2,814,928	27,697,845
<u>\$ 598,102</u>	<u>\$ 2,570,788</u>	<u>\$ 27,841,536</u>

CITY OF BRADY, TEXAS

Statement of Cash Flows Proprietary Funds For the Year Ended September 30, 2016

	Sewer and Electric	Water	Gas
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 8,293,007	\$ 1,867,147	\$ 1,166,225
Payments to Suppliers	(4,564,683)	(581,518)	(533,052)
Payments to Employees for Services	(346,136)	(198,451)	(118,792)
Payments on Behalf of Employees for Benefits	(107,370)	(81,876)	(55,768)
Receipts (Refunds) of Customer Deposits	-	-	-
Receipts from Grants	32,895	130	-
Other Receipts (Payments)	-	8,296	-
Net Cash Provided (Used) by Operating Activities	<u>3,307,713</u>	<u>1,013,728</u>	<u>458,613</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers from Other Funds	(2,616,534)	(408,081)	(630,087)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,616,534)</u>	<u>(408,081)</u>	<u>(630,087)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipt of Capital Lease Proceeds	-	-	28,777
Proceeds from Sale of Fixed Assets	2,500	-	-
Purchases of Capital Assets and Construction in Progress	(111,313)	(958,927)	(40,443)
Receipt of Donated Assets	-	2,680	-
Principal Paid on Capital Debt	(160,258)	(474,808)	(69,133)
Interest Paid on Capital Debt	(30,931)	(40,368)	(15,223)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(300,002)</u>	<u>(1,471,423)</u>	<u>(96,022)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	483	2,687	-
Net Cash Provided (Used) by Investing Activities	<u>483</u>	<u>2,687</u>	<u>-</u>
Net Increase In Cash & Cash Equivalents	391,660	(863,089)	(267,496)
Balances - Beginning of the Year	<u>6,768,596</u>	<u>3,204,644</u>	<u>1,466,737</u>
Balances - End of the Year	<u>\$ 7,160,256</u>	<u>\$ 2,341,555</u>	<u>\$ 1,199,241</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 3,262,816	\$ 487,477	\$ 398,138
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	166,847	496,390	107,499
Bad Debt Expense	21,833	5,845	2,004
Amortization Expense	(1,173)	-	-
Change In Assets & Liabilities:			
Accounts Receivable	83,566	10,731	(6,433)
Other Receivables	-	-	-
Inventories	-	-	-
Accounts Payable	(253,449)	(3,779)	(52,307)
Other Payables	-	-	-
Net Pension Liability	23,468	16,106	8,818
Compensated Absences	3,805	958	894
Customer Deposits Payable	-	-	-
Landfill Closure/Post Closure Costs	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,307,713</u>	<u>\$ 1,013,728</u>	<u>\$ 458,613</u>
Reconciliation to Statement of Net Position - Proprietary Funds:			
Cash and Cash Equivalents - Unrestricted	\$ 5,238,415	\$ 1,120,776	\$ 1,196,953
Cash and Cash Equivalents - Restricted	1,915,752	1,216,600	-
Total Cash and Cash Equivalents - Proprietary Funds	<u>\$ 7,154,167</u>	<u>\$ 2,337,376</u>	<u>\$ 1,196,953</u>
SCHEDULE OF NONCASH ACTIVITIES			
Actuarial Calculation of Net Pension Liability	<u>(6,089)</u>	<u>(4,179)</u>	<u>(2,288)</u>

CITY OF BRADY, TEXAS

Statement of Cash Flows (Continued)
 Proprietary Funds
 For the Year Ended September 30, 2016

Solid Waste	Utility Support	Total
\$ 1,007,499	\$ 141,257	\$ 12,475,135
(260,062)	(292,398)	(6,231,713)
(245,893)	(122,280)	(1,031,552)
(113,803)	(47,326)	(406,143)
-	19,270	19,270
-	90,022	123,047
-	-	8,296
<u>387,741</u>	<u>(211,455)</u>	<u>4,956,340</u>
 (200,712)	 (10,640)	 (3,866,054)
<u>(200,712)</u>	<u>(10,640)</u>	<u>(3,866,054)</u>
 150,902	 -	 179,679
-	-	2,500
(193,282)	-	(1,303,965)
-	-	2,680
(113,961)	(5,160)	(823,320)
(15,400)	(585)	(102,507)
<u>(171,741)</u>	<u>(5,745)</u>	<u>(2,044,933)</u>
 2,114	 3,243	 8,527
<u>2,114</u>	<u>3,243</u>	<u>8,527</u>
17,402	(224,597)	(946,120)
<u>916,677</u>	<u>917,149</u>	<u>13,273,803</u>
<u>\$ 934,079</u>	<u>\$ 692,552</u>	<u>\$ 12,327,683</u>
 \$ 183,500	 \$ (236,110)	 \$ 4,095,821
 131,863	 97,988	 1,000,587
5,047	2,497	37,226
-	-	(1,173)
1,919	(94,501)	(4,718)
-	3,473	3,473
-	4,908	4,908
6,728	2,002	(300,805)
-	(18,995)	(18,995)
17,182	8,484	74,058
3,115	(471)	8,301
-	19,270	19,270
<u>38,387</u>	<u>-</u>	<u>38,387</u>
<u>\$ 387,741</u>	<u>\$ (211,455)</u>	<u>\$ 4,956,340</u>
 \$ 548,856	 \$ 18,686	 \$ 8,123,686
<u>380,766</u>	<u>\$ 671,665</u>	<u>\$ 4,184,783</u>
<u>\$ 929,622</u>	<u>\$ 690,351</u>	<u>\$ 12,308,469</u>
 <u>(4,457)</u>	 <u>(2,201)</u>	 <u>(19,214)</u>

CITY OF BRADY, TEXAS

Statement of Net Position
 Discretely Presented Component Unit
 As of September 30, 2016

Brady Economic
 Development
 Corporation

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 453,266
Receivables, Net of Allowances	1,747
Prepaid Expenses	2,500
Total Current Assets	<u>457,513</u>
Noncurrent Assets	
Other Receivables	60,789
Land	13,643
Other Capital Assets, Net of Depreciation	320,009
Total Noncurrent Assets	<u>394,441</u>
Total Assets	<u>851,954</u>

LIABILITIES

Current Liabilities

Interest Payable	750
Bonds, Notes and Leases Payable	<u>25,602</u>
Total Current Liabilities	<u>26,352</u>
Noncurrent Liabilities	
Deferred Revenues	1,204
Bonds, Notes and Leases Payable	<u>63,918</u>
Total Noncurrent Liabilities	<u>65,122</u>
Total Liabilities	<u>91,474</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	308,050
Unrestricted	<u>452,430</u>
Total Net Position	<u>\$ 760,480</u>

CITY OF BRADY, TEXAS

Statement of Activities
 Discretely Presented Component Unit
 For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Governmental Activities		
Governmental Activities					
General Government					
Rental Income	\$ -	\$ 26,201	\$ 26,201		
Marketing	16,831	-	(16,831)		
Professional/Legal Fees	1,671	-	(1,671)		
Contract for Services	36,300	-	(36,300)		
Community Development	773,797	-	(773,797)		
Annual Land Lease	250	-	(250)		
Travel and Training	3,170	-	(3,170)		
Membership Dues and Fees	550	-	(550)		
Insurance	100	-	(100)		
Meeting Provisions	105	-	(105)		
Property Taxes	3,366	-	(3,366)		
Interest Expense	3,741	-	(3,741)		
Depreciation Expense	20,471	-	(20,471)		
Total Governmental Activities	860,352	26,201	(834,151)		
General Revenues					
Taxes					
Sales Taxes			241,318		
Interest Revenue			3,096		
Miscellaneous			207		
Total General Revenues, Special Items, and Transfers			244,621		
Change in Net Position			(589,530)		
Net Position - Beginning			1,350,010		
Net Position - Ending			\$ 760,480		

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

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, 2016

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 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, 2016

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, 2016

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, 2016

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, 2016

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 \$31,259 at September 30, 2016 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, 2016, 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, 2016

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, 2016

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, 2016.
- *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, 2016.
- *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, 2016

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, 2016 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, 2016

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, 2016:

	Transfers In	Transfers Out	Net Transfers In/Out
Governmental Activities			
General Fund	\$ 3,582,099	\$ -	\$ 3,582,099
Special Revenue Fund	283,955	-	283,955
Business-Type Activities			
Sewer and Electric	-	2,616,534	(2,616,534)
Water	-	408,081	(408,081)
Gas	-	630,087	(630,087)
Solid Waste	-	200,712	(200,712)
Utility Support	-	10,640	(10,640)
	<u>\$ 3,866,054</u>	<u>\$ 3,866,054</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, 2016

Note D – Deposits and Investments (Continued)

Deposits and Investments

The carrying amount of the City's cash held with financial institutions was \$12,983,838 and the bank balance was \$13,058,984. 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.	12,558,984
Total Bank Balance	\$ <u>13,058,984</u>

All deposits were fully secured at the balance sheet date.

The carrying amount of the EDC's cash held with financial institutions was \$453,266 and the bank balance was \$453,266. 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.	203,266
Total Bank Balance	\$ <u>453,266</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, 2016

Note D – Deposits and Investments (Continued)

Restricted Deposits and Investments

The City had deposits and investments restricted for the following purposes at September 30, 2016:

Restricted For:	Governmental Activities	Business-Type Activities	Total
State, Local and Federally Funded Programs	\$ 164,922	\$ -	\$ 164,922
Police Activities	14,590	-	14,590
Court Technology and Security	6,574	-	6,574
Debt Service	22,187	105,158	127,345
Clean Water Project	-	1,904,346	1,904,346
Drinking Water Project	-	902,848	902,848
Texas Water Development Board Covenant	-	220,000	220,000
Utility Customer Deposits	-	671,665	671,665
Landfill Closure Reserve	-	380,766	380,766
Total Restricted Cash	<u><u>\$ 208,273</u></u>	<u><u>\$ 4,184,783</u></u>	<u><u>\$ 4,393,056</u></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 2016, the City of Brady had property with an assessed valuation of \$238,412,642. The tax rate was \$0.344378 per \$100 valuation.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2016

Note F – Capital Assets and Depreciation

Capital asset activity for the year ended September 30, 2016 was as follows:

Governmental Activities	Balance				Balance
	10/1/2015	Additions	Deletions	Transfers	9/30/2016
Capital assets not being depreciated:					
Land	\$ 735,484	\$ 21,000	\$ -	\$ -	\$ 756,484
Construction in progress	293,064	1,902,184	(165,313)	-	2,029,935
Subtotal	1,028,548	1,923,184	(165,313)	-	2,786,419
Capital assets being depreciated:					
Buildings and improvements	7,549,303	-	-	-	7,549,303
Infrastructure	9,216,785	131,656	-	-	9,348,441
Vehicles	1,078,215	368,702	(87,141)	-	1,359,776
Equipment	2,151,216	110,827	(116,221)	-	2,145,822
Subtotal	19,995,519	611,185	(203,362)	-	20,403,342
Accumulated depreciation:					
Buildings and improvements	(3,611,582)	(227,635)	-	-	(3,839,217)
Infrastructure	(6,876,970)	(387,922)	-	-	(7,264,892)
Vehicles	(936,558)	(95,854)	87,141	-	(945,271)
Equipment	(1,647,338)	(125,475)	116,221	-	(1,656,592)
Subtotal	(13,072,448)	(836,886)	203,362	-	(13,705,972)
Net capital assets being depreciated	6,923,071	(225,701)	-	-	6,697,370
Net capital assets	\$ 7,951,619	\$ 1,697,483	\$ (165,313)	\$ -	\$ 9,483,789

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2016

Note F – Capital Assets and Depreciation (Continued)

Business-Type Activities	<u>Balance</u> <u>10/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers and Adjustments</u>	<u>Balance</u> <u>9/30/2016</u>
Capital assets not being depreciated:					
Land	\$ 84,829	\$ 2,680	\$ -	\$ -	\$ 87,509
Construction in progress	1,588,452	1,051,727	-	-	2,640,179
Subtotal	1,673,281	1,054,407	-	-	2,727,688
Capital assets being depreciated:					
Buildings and improvements	15,541,493	-	-	-	15,541,493
Infrastructure	14,292,781	-	(1,198)	-	14,291,583
Vehicles	841,896	42,380	(42,171)	-	842,105
Equipment	2,773,403	207,178	(96,632)	-	2,883,949
Subtotal	33,449,573	249,558	(140,001)	-	33,559,130
Accumulated depreciation:					
Buildings and improvements	(4,314,838)	(313,955)	-	-	(4,628,793)
Infrastructure	(5,433,085)	(476,619)	1,198	-	(5,908,506)
Vehicles	(617,037)	(56,934)	42,171	-	(631,800)
Equipment	(1,850,091)	(153,079)	96,632	-	(1,906,538)
Subtotal	(12,215,051)	(1,000,587)	140,001	-	(13,075,637)
Net capital assets being depreciated	21,234,522	(751,029)	-	-	20,483,493
Net capital assets	\$ 22,907,803	\$ 303,378	\$ -	\$ -	\$ 23,211,181

Economic Development Corporation	<u>Balance</u> <u>10/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>9/30/2016</u>
Capital assets not being depreciated:					
Land	\$ 13,643	\$ -	\$ -	\$ -	\$ 13,643
Subtotal	13,643	-	-	-	13,643
Capital assets being depreciated:					
Buildings and improvements	452,953	-	-	-	452,953
Subtotal	452,953	-	-	-	452,953
Accumulated depreciation:					
Buildings and improvements	(112,473)	(20,471)	-	-	(132,944)
Subtotal	(112,473)	(20,471)	-	-	(132,944)
Net capital assets being depreciated	340,480	(20,471)	-	-	320,009
Net capital assets	\$ 354,123	\$ (20,471)	\$ -	\$ -	\$ 333,652

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2016

Note F – Capital Assets and Depreciation (Continued)

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

Governmental Activities		
Administration	\$	30,592
Airport		233,471
Public Property Maintenance		115,998
Golf Course		27,342
Fire Department		13,600
Police Department		61,819
Emergency Operations Center		10,620
Street Department		238,193
Civic Center		546
Municipal Court		1,502
Repair Shop		539
Animal Control		879
EMS Department		60,953
Lake Department		27,841
G. Rollie White Complex		6,736
Code Enforcement		5,179
Senior Citizens Program		1,076
Total Depreciation Expense	\$	<u>836,886</u>
Business-Type Activities		
Electric	\$	99,308
Sewer		67,539
Water		496,390
Gas		107,499
Solid Waste		94,511
Street Sanitation		37,352
Utility Support		97,988
Total Depreciation Expense	\$	<u>1,000,587</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, 2016

Note G – Defined Benefit Pension Plans

Plan Description

The City of Brady participates as one of the 866 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.tmrs.com.

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

Benefits Provided

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

At retirement, the 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, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2015</u>
Inactive employees of beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	94
Active employees	89
	<u><u>229</u></u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

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 10.72% and 10.29% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$371,866, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

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

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note G – Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period of December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to procedure the long0term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2016

Note G – Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 8,198,440	\$ 6,910,082	\$ 1,288,358
Changes for the year:			
Service Cost	464,500	-	464,500
Interest	577,768	-	577,768
Change of benefit terms	-	-	-
Difference between expected and actual experience	(375,588)	-	(375,588)
Change of assumptions	123,568	-	123,568
Contributions - employer	-	370,043	(370,043)
Contributions - employee	-	212,262	(212,262)
Net investment income	-	10,197	(10,197)
Benefit payments, including refunds of employee contributions	(353,720)	(353,720)	-
Administrative expense	-	(6,211)	6,211
Other Changes	-	(308)	308
Net changes	436,528	232,263	204,265
Balance at 12/31/2015	\$ 8,634,968	\$ 7,142,345	\$ 1,492,623

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

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2016

Note G – Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Changes in the Net Pension Liability (Continued)

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 2,763,193	\$ 1,492,623	\$ 458,206

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, 2016, the city recognized pension expense of \$371,866.

At September 30, 2016, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources 9/30/2016	Deferred Inflows of Resources 9/30/2016
Differences between Expected and Actual Economic Experience	\$ -	\$ (250,808)
Difference in Actual Assumptions	-	82,516
Differences Between Projected and Actual Investment Earnings	378,807	-
Contributions Subsequent to the Measurement Date	270,835	-
	\$ 649,642	\$ (168,292)

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note G – Defined Benefit Pension Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$270,835 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2016	\$ (11,318)
2017	18,766
2018	109,968
2019	94,701
Total	\$ <u>212,117</u>

Supplemental Death Benefits

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

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

The City contributes to the TRMS SDBF for the years ended 2016, 2015 and 2014 were \$9,294, \$8,584 and \$16,614, respectively, which equaled the required contributions each year.

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 \$136,861 at September 30, 2016.

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

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.

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, 2016 were \$18,238 for governmental activities and \$97,998 for business-type activities.

Future minimum lease payments for operating leases are as follows:

Year Ended September 30,	Amount
2017	\$ 121,216
2018	72,075
2019	66,870
2020	60,456
2021	15,816
Total	<u>\$ 336,433</u>

The assets acquired through capital leases have a capitalized cost of \$4,384,307. Accumulated depreciation at year-end was \$1,177,585. Capital lease obligations are discussed in Note K.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2016

Note K – Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016 includes the following:

Governmental Activities	Balance 10/1/2015	Additions	Reductions	Balance 9/30/2016	Amount Due Within One Year
General Obligation Refunding Bonds, Series 2012	\$ 1,381,800	\$ -	\$ (181,300)	\$ 1,200,500	\$ 210,700
Security State Bank *	14,680	-	(14,680)	-	-
First Financial Bank *	30,800	-	(27,663)	3,137	3,137
First Financial Bank *	34,867	-	(9,238)	25,629	9,616
First Financial Bank *	36,526	-	(6,548)	29,978	6,789
First Financial Bank *	19,473	-	(4,959)	14,514	5,140
First Financial Bank *	40,828	-	(8,501)	32,327	8,361
First Financial Bank *	53,290	-	(8,450)	44,840	8,722
Government Capital *	20,094	-	(4,082)	16,012	4,255
Government Capital *	109,573	-	-	109,573	21,268
Government Capital *	-	122,370	(14,263)	108,107	29,592
Government Capital *	-	35,986	(4,194)	31,792	8,702
Government Capital *	-	63,382	(10,088)	53,294	20,773
Government Capital *	-	149,675	(18,397)	131,278	28,564
Government Capital *	-	30,999	(3,146)	27,853	10,012
Total Bonds, Notes, and Capital Leases Payable	1,741,931	402,412	(315,509)	1,828,834	375,631
Compensated Absences	77,342	26,428	-	103,770	-
Total Governmental Activities	\$ 1,819,273	\$ 428,840	\$ (315,509)	\$ 1,932,604	\$ 375,631

*Note: Indicates a Capital Lease

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Business-Type Activities	Balance 10/1/2015	Additions	Reductions	Balance 9/30/2016	Amount Due Within One Year
Sewer and Electric:					
Certificates of Obligation - WWTP, Series 2012	\$ 1,095,000	\$ -	\$ (115,000)	\$ 980,000	\$ 115,000
Security State Bank *	15,953	-	(15,953)	-	-
Schertz Bank & Trust *	3,624	-	(3,624)	-	-
Texas Bank *	390,653	-	(48,237)	342,416	50,220
Government Capital *	-	25,000	(2,444)	22,556	8,099
	1,505,230	25,000	(185,258)	1,344,972	173,319
Water:					
Certificates of Obligation, Series 2000	3,360,000	-	(210,000)	3,150,000	210,000
Certificates of Obligation, Series 2004	100,000	-	(100,000)	-	-
Certificates of Obligation, Series 2013	315,000	-	(35,000)	280,000	35,000
General Obligation Refunding Bonds, Series 2012	28,200	-	(3,700)	24,500	4,300
First Financial Bank *	67,714	-	(17,350)	50,364	17,838
Schertz Bank & Trust *	10,623	-	(6,255)	4,368	4,368
Texas Bank *	830,136	-	(102,503)	727,633	106,716
	4,711,673	-	(474,808)	4,236,865	378,222
Gas:					
First Financial Bank *	29,604	-	(7,557)	22,047	7,809
Security State Bank *	2,374	-	(2,374)	-	-
Schertz Bank & Trust *	5,986	-	(5,986)	-	-
Texas Bank *	406,930	-	(50,247)	356,683	52,312
Government Capital *	-	28,777	(2,971)	25,806	5,441
	444,894	28,777	(69,135)	404,536	65,562
Utility Support:					
Government Capital - Forklift *	17,066	-	(5,160)	11,906	5,368
	17,066	-	(5,160)	11,906	5,368
Solid Waste:					
Caterpillar Financial *	45,189	-	(45,189)	-	-
First Financial Bank *	160,741	-	(17,134)	143,607	17,791
First Financial Bank *	25,946	-	(6,649)	19,297	6,835
Government Capital *	146,984	-	(29,855)	117,129	31,122
Government Capital *	-	150,902	(15,135)	135,767	23,543
	378,860	150,902	(113,962)	415,800	79,291
Total Bonds, Notes, and Capital Leases Payable	7,057,723	204,679	(848,323)	6,414,079	701,762
Compensated Absences	24,790	8,301	-	33,091	-
Total Business-Type Activities	\$ 7,082,513	\$ 212,980	\$ (848,323)	\$ 6,447,170	\$ 701,762

*Note: Indicates a Capital Lease

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

	Balance			Balance 9/30/2016	Amount Due Within One Year
	10/1/2015	Additions	Reductions		
Economic Development Corporation					
Brady National Bank	\$ 115,779	\$ -	\$ (26,259)	\$ 89,520	\$ 25,602
Total Bonds, Notes, and Capital Leases Payable	\$ 115,779	\$ -	\$ (26,259)	\$ 89,520	\$ 25,602

Description of Debt and Maturity Schedules

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, 2016 was \$1,225,000. The balance is allocated between the general fund and water fund, which are \$1,200,500 and \$24,500 respectively.

Year Ended September 30,	Principal	Interest	Total
2016	\$ 215,000	\$ 30,625	\$ 245,625
2017	195,000	26,325	221,325
2018	195,000	21,938	216,938
2019	200,000	17,062	217,062
2020	210,000	11,813	221,813
2021-2022	210,000	6,037	216,037
	\$ 1,225,000	\$ 113,800	\$ 1,338,800

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 is allocated between the general, sewer & electric, and gas funds. This lease matured and was paid in full during fiscal year ended September 30, 2016.

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules

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.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 3,137	\$ 8	\$ 3,145
	<u>\$ 3,137</u>	<u>\$ 8</u>	<u>\$ 3,145</u>

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.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 9,616	\$ 843	\$ 10,459
2018	10,000	455	10,455
2019	6,013	80	6,093
	<u>\$ 25,629</u>	<u>\$ 1,378</u>	<u>\$ 27,007</u>

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.

Year Ended September 30,	Principal	Interest	Total
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>\$ 29,978</u>	<u>\$ 2,363</u>	<u>\$ 32,341</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

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. The lease is allocated between the general, water, gas and solid waste funds, which balances are \$14,514, \$50,364, \$22,047, and \$19,297, respectively.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 37,622	\$ 2,661	\$ 40,283
2018	38,760	1,521	40,281
2019	29,840	372	30,212
	<u>\$ 106,222</u>	<u>\$ 4,554</u>	<u>\$ 110,776</u>

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.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 8,361	\$ 1,120	\$ 9,481
2018	8,695	786	9,481
2019	9,043	438	9,481
2020	6,228	92	6,320
	<u>\$ 32,327</u>	<u>\$ 2,436</u>	<u>\$ 34,763</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

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.

Year Ended September 30,	Principal	Interest	Total
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>\$ 44,840</u>	<u>\$ 3,586</u>	<u>\$ 48,426</u>

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.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 4,255	\$ 528	\$ 4,783
2018	4,417	366	4,783
2019	4,585	197	4,782
2020	2,755	34	2,789
	<u>\$ 16,012</u>	<u>\$ 1,125</u>	<u>\$ 17,137</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (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, 2015. Payments include interest of 3.195%. This lease will be paid in full on October 15, 2020.

Year Ended September 30,		Principal	Interest	Total
2017	\$ 21,268	\$ 2,851	\$ 24,119	
2018	21,947	2,172	24,119	
2019	22,649	1,470	24,119	
2020	43,709	4,529	48,238	
	<u>\$ 109,573</u>	<u>\$ 11,022</u>	<u>\$ 120,595</u>	

Government Capital

On February 15, 2016, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of three police vehicles. This lease is due and payable in 48 monthly payments of \$2,733 beginning April 15, 2016. Payments include interest of 3.391%. This lease will be paid in full on March 15, 2020.

Year Ended September 30,		Principal	Interest	Total
2017	\$ 29,592	\$ 2,957	\$ 32,549	
2018	30,611	1,925	32,536	
2019	31,665	866	32,531	
2020	16,239	46	16,285	
	<u>\$ 108,107</u>	<u>\$ 5,794</u>	<u>\$ 113,901</u>	

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

On February 15, 2016, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a street department vehicle. This lease is due and payable in 48 monthly payments of \$804 beginning April 15, 2016. Payments include interest of 3.391%. This lease will be paid in full on March 15, 2020.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 8,702	\$ 944	\$ 9,646
2018	9,002	644	9,646
2019	9,312	334	9,646
2020	4,776	47	4,823
	<u>\$ 31,792</u>	<u>\$ 1,969</u>	<u>\$ 33,761</u>

Government Capital

On March 1, 2016, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a drum roller. This lease is due and payable in 36 monthly payments of \$1,856 beginning April 15, 2016. Payments include interest of 3.418%. This lease will be paid in full on March 15, 2019.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 20,773	\$ 1,498	\$ 22,271
2018	21,495	777	22,272
2019	11,026	110	11,136
	<u>\$ 53,294</u>	<u>\$ 2,385</u>	<u>\$ 55,679</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

On December 28, 2015, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of an ambulance. This lease is due and payable in 60 monthly payments of \$2,723 beginning February 15, 2016. Payments include interest of 3.482%. This lease will be paid in full on January 15, 2021.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 28,564	\$ 4,118	\$ 32,682
2018	29,574	3,108	32,682
2019	30,621	2,061	32,682
2020	31,704	978	32,682
2021	10,815	78	10,893
	<u>\$ 131,278</u>	<u>\$ 10,343</u>	<u>\$ 141,621</u>

Government Capital

On April 18, 2016, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a heart monitor and related equipment. This lease is due and payable in 36 monthly payments of \$932 beginning April 15, 2016. Payments include interest of 5.015%. This lease will be paid in full on May 15, 2019.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 10,012	\$ 1,169	\$ 11,181
2018	10,526	655	11,181
2019	7,315	138	7,453
	<u>\$ 27,853</u>	<u>\$ 1,962</u>	<u>\$ 29,815</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

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. TWDB 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, 2016 was \$980,000.

Year Ended September 30,	Principal	Interest	Total
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	125,000	10,887	135,887
2022-2024	385,000	17,264	402,264
	<u>\$ 980,000</u>	<u>\$ 89,073</u>	<u>\$ 1,069,073</u>

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 matured and was paid in full during fiscal year ended September 30, 2016.

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

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. This lease is allocated between the sewer & electric, water and gas funds, which balances are \$342,416, \$727,633, and \$356,683, respectively.

Year Ended September 30,	Principal	Interest	Total
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	239,015	15,365	254,380
2022-2023	307,311	7,810	315,121
	<u>\$ 1,426,732</u>	<u>\$ 160,289</u>	<u>\$ 1,587,021</u>

Government Capital

On March 17, 2016, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a freightliner. This lease is due and payable in 36 monthly payments of \$756 beginning June 15, 2016. Payments include interest of 5.137%. This lease will be paid in full on May 15, 2019.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 8,100	\$ 970	\$ 9,070
2018	8,525	544	9,069
2019	5,931	115	6,046
	<u>\$ 22,556</u>	<u>\$ 1,629</u>	<u>\$ 24,185</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

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, 2016 was \$3,150,000.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 210,000	\$ -	\$ 210,000
2018	210,000	-	210,000
2019	210,000	-	210,000
2020	210,000	-	210,000
2021	210,000	-	210,000
2022-2026	1,050,000	-	1,050,000
2027-2031	1,050,000	-	1,050,000
	<u>\$ 3,150,000</u>	<u>\$ -</u>	<u>\$ 3,150,000</u>

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 matured and was paid in full during fiscal year ending September 30, 2016.

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 certificate matured and was paid in full during fiscal year ending September 30, 2016.

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

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, 2016 was \$280,000.

Year Ended September 30,	Principal	Interest	Total
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	35,000	3,626	38,626
2022-2024	105,000	5,768	110,768
	<u>\$ 280,000</u>	<u>\$ 29,085</u>	<u>\$ 309,085</u>

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.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 4,368	\$ 92	\$ 4,460
	<u>\$ 4,368</u>	<u>\$ 92</u>	<u>\$ 4,460</u>

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 matured and was paid in full during fiscal year ended September 30, 2016.

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

On January 7, 2016, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a compact excavator. This lease is due and payable in 60 monthly payments of \$533 beginning March 15, 2016. Payments include interest of 5.137%. This lease will be paid in full on February 15, 2021.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 5,441	\$ 958	\$ 6,399
2018	5,668	730	6,398
2019	5,906	493	6,399
2020	6,152	246	6,398
2021	2,639	27	2,666
	<u>\$ 25,806</u>	<u>\$ 2,454</u>	<u>\$ 28,260</u>

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.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 5,368	\$ 376	\$ 5,744
2018	5,586	159	5,745
2019	952	5	957
	<u>\$ 11,906</u>	<u>\$ 540</u>	<u>\$ 12,446</u>

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 matured and was paid in full during fiscal year ended September 30, 2016.

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

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.

Year Ended September 30,	Principal	Interest	Total
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	20,680	2,216	22,896
2022-2024	47,566	2,041	49,607
	<u>\$ 143,607</u>	<u>\$ 20,480</u>	<u>\$ 164,087</u>

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.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 31,122	\$ 3,862	\$ 34,984
2018	32,310	2,675	34,985
2019	33,543	1,442	34,985
2020	20,154	253	20,407
	<u>\$ 117,129</u>	<u>\$ 8,232</u>	<u>\$ 125,361</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

Note K – Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

On December 28, 2015, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a sanitation truck. This lease is due and payable in 72 monthly payments of \$2,331 beginning February 15, 2016. Payments include interest of 3.545%. This lease will be paid in full on January 15, 2022.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 23,543	\$ 4,433	\$ 27,976
2018	24,391	3,585	27,976
2019	25,270	2,706	27,976
2020	26,181	1,795	27,976
2021	27,124	852	27,976
2022	9,258	68	9,326
	<u>\$ 135,767</u>	<u>\$ 13,439</u>	<u>\$ 149,206</u>

Commercial National Bank of Brady

On February 1, 2016, the EDC entered into a note payable agreement with Commercial National Bank of Brady in the amount of \$105,919. This note is in renewal and extension of promissory note dated February 4, 2013, executed by the EDC in the amount of \$172,722, which was a renewal and extension of promissory note dated January 31, 2011 in the amount of \$200,000. This note is due and payable in 36 monthly payments of \$2,500 beginning February 1, 2016. Payments include interest of 5.5%. This note payable will be paid in full on February 1, 2019.

Year Ended September 30,	Principal	Interest	Total
2017	\$ 25,602	\$ 4,398	\$ 30,000
2018	27,056	2,954	30,010
2019	36,862	790	37,652
	<u>\$ 89,520</u>	<u>\$ 8,142</u>	<u>\$ 97,662</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2016

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 \$382,041 as of September 30, 2016, which was based on 20.38% usage (filled) of the landfill. It is estimated that an additional \$1,321,362 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 (\$1,703,403) 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, 2016. 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 2016 disposal is in excess of 100 years. The current estimated liability of \$382,041 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

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, 2016

Note N – Restricted Net Position

The City reported the following restricted net position at September 30, 2016.

Restricted For:	Governmental Activities	Business-Type Activities	Total Governmental Funds
Debt Service	\$ 22,187	\$ 105,158	\$ 127,345
State, Local, and Federally Funded Programs	164,922	3,025,919	3,190,841
Police Activities	14,590	-	14,590
Court Technology and Security	6,574	-	6,574
Total Restricted	<u>\$ 208,273</u>	<u>\$ 3,131,077</u>	<u>\$ 3,339,350</u>

Note O – Fund Balances

The City reported the following fund balance designations at September 30, 2016:

	General Fund	Special Revenue Fund	Total Governmental Funds
Nonspendable:			
Prepads	\$ 10,893	\$ -	\$ 10,893
Inventory	<u>31,434</u>	<u>-</u>	<u>31,434</u>
Total Nonspendable	<u>42,327</u>	<u>-</u>	<u>42,327</u>
Restricted For:			
Debt Service	22,187	-	22,187
State and Federally Funded Programs	-	164,922	164,922
Police Activities	14,590	-	14,590
Court Technology and Security	6,574	-	6,574
Total Restricted	<u>43,351</u>	<u>164,922</u>	<u>208,273</u>
Unassigned	<u>2,921,857</u>	<u>236,990</u>	<u>3,158,847</u>
Total Fund Balances	<u>\$ 3,007,535</u>	<u>\$ 401,912</u>	<u>\$ 3,409,447</u>

Note P – TWDB Compliance

The City is compliant with applicable requirements of Section 16.356 of the Texas Water Development Code relating to transfers of funds associated with EDAP funded projects. All revenues derived from EDPA funded projects are used solely for utility purposes.

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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)		Variance with Final Budget Positive (Negative)	
	Original	Final				
REVENUES						
Property Tax	\$ 769,000	\$ 769,000	\$ 794,666	\$ 794,666	\$ 25,666	
Sales Tax	960,000	990,000	971,716		(18,284)	
Franchise Taxes	39,000	35,000	35,322		322	
Mixed Beverage Tax	800	800	5,144		4,344	
Interest Income	46,030	71,030	74,954		3,924	
Miscellaneous Revenue	-	-	883		883	
Reimbursed Expenses	2,500	22,624	27,984		5,360	
Administrative Services	37,500	37,500	40,333		2,833	
Airport Revenue	546,650	527,600	517,180		(10,420)	
Public Property Maintenance	81,900	81,900	94,957		13,057	
Golf Course	98,850	98,850	86,750		(12,100)	
Swimming Pool	21,000	21,000	26,024		5,024	
Fire Department	97,500	103,300	100,385		(2,915)	
Police Department	1,700	1,700	4,065		2,365	
Emergency Op Center	62,000	62,000	62,000		-	
Community Services Administration	30,000	30,000	30,000		-	
Street Department	-	-	11,245		11,245	
Civic Center	5,000	705,000	725,850		20,850	
Municipal Court	47,300	52,300	49,243		(3,057)	
Animal Control	100	100	525		425	
City/County EMS	642,600	514,300	514,732		432	
Lake Department	129,000	129,000	143,132		14,132	
Financial Administration	6,300	6,300	6,300		-	
Building & Permitting	15,000	29,000	37,923		8,923	
Donations	10,000	10,000	25,134		15,134	
Grant Revenue	25,000	18,500	13,364		(5,136)	
Total Revenues	\$ 3,674,730	\$ 4,316,804	\$ 4,399,811	\$ 4,399,811	\$ 83,007	

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, 2016

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)		
EXPENDITURES					
Administration	\$ 583,698	\$ 600,793	\$ 545,338	\$ 55,455	
Airport	781,548	757,548	610,353	147,195	
Public Property Maintenance	370,392	351,662	325,546	26,116	
Mayor and Council	28,871	82,871	73,589	9,282	
Golf Course	269,219	280,648	264,968	15,680	
Swimming Pool	97,191	103,878	96,446	7,432	
Fire Department	825,341	839,841	799,268	40,573	
Police Department	783,417	776,417	716,480	59,937	
Emergency Op Center	20,182	6,882	2,519	4,363	
Communications	293,399	304,910	291,616	13,294	
Community Services Administration	116,645	108,660	107,765	895	
Street Department	557,643	670,343	586,005	84,338	
Civic Center	14,740	1,945	1,491	454	
Municipal Court	71,389	73,099	54,462	18,637	
Special Services	2,700	2,700	2,250	450	
Repair Shop	55,992	55,992	53,349	2,643	
Animal Control	87,626	103,636	95,476	8,160	
City/County EMS	731,708	691,033	614,328	76,705	
Lake Department	226,420	226,260	196,323	29,937	
G.R. White Complex	58,000	90,000	67,676	22,324	
Purchasing	59,951	59,951	58,419	1,532	
Financial Administration	270,077	279,552	266,970	12,582	
Building & Permitting	192,051	203,590	168,794	34,796	
Capital Outlay	1,665,180	2,567,305	2,130,901	436,404	
Debit Service					
Principal	344,279	340,155	315,509	24,646	
Interest	47,841	52,882	46,446	6,436	
Total Expenditures	<u>8,555,500</u>	<u>9,632,553</u>	<u>8,492,287</u>	<u>1,140,266</u>	
Excess (Deficiency) of Revenues Over Expenditures	(4,880,770)	(5,315,749)	(4,092,476)	1,223,273	
OTHER FINANCING SOURCES (USES)					
Transfers In	4,086,843	3,581,382	3,582,099	717	
Lease Proceeds	401,755	402,445	402,412	(33)	
Sale of Capital Assets	17,250	17,250	11,350	(5,900)	
Total Other Financing Sources (Uses)	<u>4,505,848</u>	<u>4,001,077</u>	<u>3,995,861</u>	<u>(5,216)</u>	
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(374,922)	(1,314,672)	(96,615)	1,218,057	
Fund Balance - Beginning, GAAP Basis	<u>3,104,150</u>	<u>3,104,150</u>	<u>3,104,150</u>	<u>-</u>	
Fund Balance - Ending, GAAP and Budgetary Basis	\$ <u>2,729,228</u>	\$ <u>1,789,478</u>	\$ <u>3,007,535</u>	\$ <u>1,218,057</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, 2016

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)		
REVENUES					
Sales Taxes	\$ 240,000	\$ 258,000	\$ 236,996	\$	(21,004)
Hotel Occupancy Taxes	225,000	215,000	206,538		(8,462)
Senior Citizen Revenues	28,000	25,000	26,257		1,257
Airport Revenue	944,000	-	-		-
Donations	-	-	297		297
Cemetery Maintenance	43,000	43,000	46,765		3,765
Pass-Through Services Revenue	5,000	5,000	3,579		(1,421)
Reimbursed Expenses	-	-	63		63
Community Development	306,030	222,272	200,000		(22,272)
Grant Revenues	257,652	143,000	118,261		(24,739)
Total Revenues	<u>2,048,682</u>	<u>911,272</u>	<u>838,756</u>		<u>(72,516)</u>
EXPENDITURES					
Pass-Through Services	470,000	478,000	465,352		12,648
Senior Citizens Program	252,612	250,110	242,391		7,719
Community Development	204,727	95,100	75,757		19,343
Cemetery Maintenance	43,000	30,000	8,527		21,473
Capital Outlay	1,614,133	382,438	290,236		92,202
Total Expenditures	<u>2,584,472</u>	<u>1,235,648</u>	<u>1,082,263</u>		<u>153,385</u>
Excess (Deficiency) of Revenues Over Expenditures	(535,790)	(324,376)	(243,507)		80,869
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	<u>390,247</u>	<u>440,247</u>	<u>283,955</u>		<u>(156,292)</u>
Total Other Financing Sources and Uses	<u>390,247</u>	<u>440,247</u>	<u>283,955</u>		<u>(156,292)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(145,543)	115,871	40,448		(75,423)
Fund Balance - Beginning, GAAP Basis	<u>361,464</u>	<u>361,464</u>	<u>361,464</u>		<u>-</u>
Fund Balance - Ending, GAAP and Budgetary Basis	\$ <u>215,921</u>	\$ <u>477,335</u>	\$ <u>401,912</u>	\$	<u>(75,423)</u>

CITY OF BRADY, TEXAS

Required Supplemental Information Notes to the Budgetary Comparison Schedules For the Year Ended September 30, 2016

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.

Expenditures Exceeding Budget

The City's General and Special Revenue Funds had no expenditures in excess of budgeted amounts for the fiscal year ending September 30, 2016.

CITY OF BRADY, TEXAS

Required Supplemental Information

Schedule of Changes in Net Pension Liability and Related Ratios – Last 10 Years*

For the Year Ended September 30, 2016

	2015	2014
Total Pension Liability		
Service Cost	\$ 464,500	\$ 407,549
Interest (on the Total Pension Liability)	577,768	540,559
Changes in benefit terms	-	-
Difference between expected and actual experience	(375,588)	(123,488)
Change of assumptions	123,568	-
Benefit payments, including refunds of employee contributions	(353,720)	(289,341)
Net Change in Total Pension Liability	<u>436,528</u>	<u>535,279</u>
Total Pension Liability - Beginning	<u>8,198,440</u>	<u>7,663,161</u>
Total Pension Liability - Ending (a)	<u>\$ 8,634,968</u>	<u>\$ 8,198,440</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 370,043	\$ 351,829
Contributions - Employee	212,262	194,223
Net Investment Income	10,197	360,294
Benefit payments, including refunds of employee contributions	(353,720)	(289,341)
Administrative Expense	(6,211)	(3,761)
Other	(308)	(309)
Net Change in Plan Fiduciary Net Position	<u>232,263</u>	<u>612,935</u>
Plan Fiduciary Net Position - Beginning	<u>6,910,082</u>	<u>6,297,147</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 7,142,345</u>	<u>\$ 6,910,082</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,492,623</u>	<u>\$ 1,288,358</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.71%	84.29%
Covered Employee Payroll	\$ 3,537,699	\$ 3,178,565
Net Pension Liability as a Percentage of Covered Employee Payroll	42.19%	40.53%

*Note: GASB No. 68 requires ten fiscal years of data to be provided in this schedule. Fiscal year ending 2015 was the first year of implementation. The City will develop the schedule prospectively.

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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Electrical Distribution	\$ 7,972,582	\$ 7,640,410	\$ 7,366,411	\$ (273,999)
Wastewater	853,000	838,000	844,204	6,204
Grant Revenue	-	-	5,622	5,622
Interest Income	1,000	1,000	483	(517)
Reimbursed Expenses	-	-	2,019	2,019
Total Revenues	8,826,582	8,479,410	8,218,739	(260,671)
EXPENDITURES				
Power Plant	8,000	26,000	19,168	6,832
Electrical Distribution	5,185,537	4,997,069	4,395,701	601,368
Wastewater	365,715	879,865	351,891	527,974
Bad Debt Expense	29,000	29,000	21,833	7,167
Capital Outlay	2,478,842	583,784	27,500	556,284
Debt Service				
Principal Payments	192,725	192,725	185,260	7,465
Interest Payments	31,670	31,670	30,518	1,152
Total Expenditures	8,291,489	6,740,113	5,031,871	1,708,242
Excess Revenues Over (Under) Expenditures	535,093	1,739,297	3,186,868	1,447,571
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	(25,000)	(25,000)
Sale of Capital Assets	346,280	346,280	2,500	(343,780)
Transfers Out	(3,054,272)	(2,616,315)	(2,616,534)	(219)
Total Other Financing Sources (Uses)	(2,707,992)	(2,270,035)	(2,639,034)	(368,999)
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,172,899)	(530,738)	547,834	1,078,572
Net Position - Beginning, GAAP Basis	8,268,727	8,268,727	8,268,727	-
Net Position - Ending, Budgetary Basis	\$ 6,095,828	\$ 7,737,989	\$ 8,816,561	\$ 1,078,572
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(166,847)	
Principal Payments - The City budgets for principal debt payments			185,260	
Lease Proceeds - The City budgets for lease proceeds			25,000	
Capital Outlay - The City budgets for capital outlay			27,500	
Net Position- Ending, GAAP Basis	\$	8,887,474		

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
 Water Fund
 For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Water Department	\$ 1,875,500	\$ 1,878,600	\$ 1,864,712	\$ (13,888)
Interest Revenue	2,000	2,000	2,687	687
Grant Revenue	52,172	-	130	130
Reimbursed Expenses	-	-	7,130	7,130
Total Revenues	1,929,672	1,880,600	1,874,659	(5,941)
EXPENDITURES				
Water Department	939,972	917,147	882,260	34,887
Bad Debt Expense	9,500	9,500	5,845	3,655
Capital Outlay	1,929,715	877,867	14,347	863,520
Debt Service				
Principal Payments	475,500	477,725	474,809	2,916
Interest Payments	39,900	40,090	37,714	2,376
Total Expenditures	3,394,587	2,322,329	1,414,975	907,354
Excess Revenues Over (Under) Expenditures	(1,464,915)	(441,729)	459,684	901,413
OTHER FINANCING SOURCES (USES)				
Donated Assets	-	-	2,680	2,680
Transfers Out	(475,585)	(408,081)	(408,081)	-
Total Other Financing Sources (Uses)	(475,585)	(408,081)	(405,401)	2,680
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,940,500)	(849,810)	54,283	904,093
Net Position - Beginning, GAAP Basis	<u>13,377,545</u>	<u>13,377,545</u>	<u>13,377,545</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ 11,437,045	\$ 12,527,735	\$ 13,431,828	\$ 904,093
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(496,390)	
Principal Payments - The City budgets for principal debt payments			474,809	
Capital Outlay - The City budgets for capital outlay			14,347	
Net Position - Ending, GAAP Basis	\$		\$ 13,424,594	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
 Gas Fund
 For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)	
	Original	Final	(Budgetary Basis)			
REVENUES						
Gas Distribution	\$ 1,478,950	\$ 1,166,542	\$ 1,172,658	\$ 6,116		
Grant Revenue	52,172	-	-	-		
Reimbursed Expenses	-	-	1,661	1,661		
Total Revenues	1,531,122	1,166,542	1,174,319	7,777		
EXPENDITURES						
Gas Department	951,627	728,891	666,678	62,213		
Bad Debt Expense	7,000	7,000	2,004	4,996		
Capital Outlay	204,215	40,444	28,777	11,667		
Debt Service						
Principal Payments	73,655	73,261	69,134	4,127		
Interest Payments	14,645	15,425	14,960	465		
Total Expenditures	1,251,142	865,021	781,553	83,468		
Excess Revenues Over (Under) Expenditures	279,980	301,521	392,766	91,245		
OTHER FINANCING SOURCES (USES)						
Loan Proceeds	-	-	(28,777)	(28,777)		
Transfers Out	(735,881)	(785,881)	(630,087)	155,794		
Total Other Financing Sources (Uses)	(735,881)	(785,881)	(658,864)	127,017		
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(455,901)	(484,360)	(266,098)	218,262		
Net Position - Beginning, GAAP Basis	2,607,487	2,607,487	2,607,487	-		
Net Position - Ending, Budgetary Basis	\$ 2,151,586	\$ 2,123,127	\$ 2,341,389	\$ 218,262		
Adjustments to Reconcile the Budgetary Amounts to GAAP:						
Depreciation - The City does not budget for depreciation expense			(107,499)			
Principal Payments - The City budgets for principal debt payments			69,134			
Capital Outlay - The City budgets for capital outlay			28,777			
Lease Proceeds - The City budgets for capital lease proceeds			28,777			
Net Position - Ending, GAAP Basis	\$ 2,360,578					

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, 2016

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)		
REVENUES					
Solid Waste	\$ 1,104,500	\$ 1,075,500	\$ 930,503	\$ (144,997)	
Street Sanitation	74,000	74,000	75,076	1,076	
Interest Revenue	1,500	1,500	2,114	614	
Reimbursed Expenses	-	-	2,385	2,385	
Total Revenues	1,180,000	1,151,000	1,010,078	(140,922)	
EXPENDITURES					
Solid Waste	795,705	795,705	663,184	132,521	
Street Sanitation	74,675	109,365	24,370	84,995	
Bad Debt Expense	5,000	5,000	5,047	(47)	
Capital Outlay	170,000	151,000	193,282	(42,282)	
Debt Service					
Principal Payments	127,650	127,650	113,961	13,689	
Interest Payments	16,028	16,028	15,958	70	
Total Expenditures	1,189,058	1,204,748	1,015,802	188,946	
Excess Revenues Over (Under) Expenditures	(9,058)	(53,748)	(5,724)	48,024	
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	-	-	(150,902)	(150,902)	
Transfers Out	(200,712)	(200,712)	(200,712)	-	
Total Other Financing Sources (Uses)	(200,712)	(200,712)	(351,614)	(150,902)	
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(209,770)	(254,460)	(357,338)	(102,878)	
Net Position - Beginning, GAAP Basis	629,158	629,158	629,158	-	
Net Position - Ending, Budgetary Basis	\$ 419,388	\$ 374,698	271,820	\$ (102,878)	
Adjustments to Reconcile the Budgetary Amounts to GAAP:					
Depreciation - The City does not budget for depreciation expense			(131,863)		
Principal Payments- The City budgets for principal debt payments			113,961		
Capital Outlay - The City budgets for capital outlay.			193,282		
Lease Proceeds - The City budgets for capital lease proceeds.			150,902		
Net Position - Ending, GAAP Basis	\$	598,102			

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, 2016

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)		
REVENUES					
Utility Support	\$ 268,700	\$ 228,200	\$ 232,281	\$ 4,081	
Interest Revenue	3,000	3,000	3,243	243	
Grant Revenue	-	-	90,022	90,022	
Miscellaneous Revenue	-	-	4	4	
Reimbursed Expenses	-	-	245	245	
Total Revenues	271,700	231,200	325,795	94,595	
EXPENDITURES					
Administration	224,627	227,997	196,962	31,035	
Meter Shop	59,822	56,902	56,963	(61)	
Billing-Collection	211,567	212,117	204,252	7,865	
Bad Debt Expense	5,000	4,000	2,497	1,503	
Debt Service					
Principal Payments	5,159	5,159	5,159	-	
Interest Payments	585	585	633	(48)	
Total Expenditures	506,760	506,760	466,466	40,294	
Excess of Revenues Over (Under) Expenditures	(235,060)	(275,560)	(140,671)	134,889	
OTHER FINANCING SOURCES (USES)					
Transfers Out	(10,640)	(10,640)	(10,640)	-	
Total Other Financing Sources (Uses)	(10,640)	(10,640)	(10,640)	-	
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(245,700)	(286,200)	(151,311)	134,889	
Net Position - Beginning, GAAP Basis	<u>2,814,928</u>	<u>2,814,928</u>	<u>2,814,928</u>	-	
Net Position - Ending, Budgetary Basis	\$ <u>2,569,228</u>	\$ <u>2,528,728</u>	\$ <u>2,663,617</u>	\$ <u>134,889</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			5,159		
Net Position - Ending, GAAP Basis	\$		\$ <u>2,570,788</u>		

CITY OF BRADY, TEXAS

Notes to the Budgetary Comparison Schedules
Proprietary Funds
For the Year Ended September 30, 2016

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.

Expenditures Exceeding Budget

The City's Proprietary Funds had no expenditures in excess of budgeted amounts for the fiscal year ending September 30, 2016.

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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General Revenues				
Sales Tax Collections	\$ 240,000	\$ 250,000	\$ 241,318	\$ (8,682)
Interest Income	3,000	3,000	3,096	96
Loan Income	11,468	11,468	12,571	1,103
Reimbursed Expenses	-	-	207	207
Charges for Services				
Rent Income	26,201	26,201	26,201	-
Total Revenues	<u>280,669</u>	<u>290,669</u>	<u>283,393</u>	<u>(7,276)</u>
EXPENDITURES				
Current				
Marketing	6,821	16,821	16,831	(10)
Professional/Legal Fees	10,000	1,650	1,671	(21)
Contract for Services	36,300	36,300	36,300	-
Community Development	65,000	801,660	773,797	27,863
Annual Land Lease	250	250	250	-
Travel and Training	4,000	3,310	3,170	140
Membership Dues and Fees	2,000	550	550	-
Insurance	350	100	100	-
Meeting Provisions	250	110	105	5
Property Taxes	3,500	3,370	3,366	4
Building Repairs & Maintenance	6,500	-	-	-
Debt Service				
Principal Payments	30,000	30,000	30,000	-
Interest Payments	-	-	3,741	(3,741)
Total Expenditures	<u>164,971</u>	<u>894,121</u>	<u>869,881</u>	<u>24,240</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	115,698	(603,452)	(586,488)	16,964
Net Position - Beginning, GAAP Basis	<u>1,350,010</u>	<u>1,350,010</u>	<u>1,350,010</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>1,465,708</u>	\$ <u>746,558</u>	\$ <u>763,522</u>	\$ <u>16,964</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The EDC does not budget for depreciation expense			(20,471)	
Loan Income - The EDC normally budgets for loan income			(12,571)	
Loan Proceeds - The EDC normally budgets for loan proceeds			30,000	
Net Position - Ending, GAAP Basis	\$ <u>760,480</u>			

CITY OF BRADY, TEXAS

Notes to the Budgetary Comparison Schedules
Economic Development Corporation
For the Year Ended September 30, 2016

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, 2016.

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, 2016.

CITY OF BRADY, TEXAS

Single Audit Compliance Information
Schedule of Expenditures of Federal and State Awards
For the Year Ended September 30, 2016

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	\$ 32,090	\$ -
Nutrition Services Incentive Program	93.053	N/A	32,398	-
Total U.S. Department of Health and Human Services			<u>64,488</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	247	-
Total U.S. Department of Interior Fish & Wildlife Service			<u>247</u>	<u>-</u>
U.S. Department of Homeland Security				
Passed Through Texas Department of Public Safety				
Pre-Disaster Mitigation Program	97.047	N/A	50,000	-
Total U.S. Department of Homeland Security			<u>50,000</u>	<u>-</u>
U.S. Environmental Protection Agency				
Passed Through the Texas Water Development Board				
Capitalization Grants For Clean Water State Revolving Funds - Loan	66.458	LF1000011	-	-
Capitalization Grants For Clean Water State Revolving Funds - Grant	66.458	GT #LF1000019	72,147	-
Capitalization Grants For Drinking Water State Revolving Funds - Grant	66.568	GT #LF100116	-	-
Capitalization Grants For Drinking Water State Revolving Funds - Grant	66.568	GT #G1000424	938,380	-
Capitalization Grants For Drinking Water State Revolving Funds - Loan	66.568	GT #L1000115	6,200	-
Total U.S. Environmental Protection Agency			<u>1,016,727</u>	<u>-</u>
Total Federal Awards Expended			<u>1,131,462</u>	<u>-</u>
State Grantor/Program or Grant Title				
Texas Department of Transportation				
Boat Ramp Grant	N/A	M1523BRAD	-	13,364
Total Texas Department of Transportation			<u>-</u>	<u>13,364</u>
Texas Parks and Wildlife Department				
National Recreational Trails Fund Agreement	N/A	RT11003.1	-	177,273
Total Texas Parks and Wildlife Department			<u>-</u>	<u>177,273</u>
Texas Department of Agriculture				
Home-Delivered Meal Grant Program	N/A	HDM-16-1754	-	3,769
Total Texas Department of Agriculture			<u>-</u>	<u>3,769</u>
Total State Awards Expended			<u>-</u>	<u>194,406</u>
Total Federal and State Awards Expended	\$ 1,131,462	\$ 194,406		

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, 2016

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, 2016. The information in this SEFSA is presented in accordance with the requirements of the *Uniform Guidance* 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, 2016. 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	\$ 280,000
Capitalization Grants for Clean Water State Revolving Funds	66.458	#L1000011	\$ 980,000

CITY OF BRADY, TEXAS

Single Audit Compliance Information
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

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
Findings and Questioned Costs for Federal Awards as Defined by the Uniform Guidance:	None
Identification of Major Programs:	Capitalization Grants for Drinking Water State Revolving Funds, CFDA No. 66.568
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
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, 2016

No prior year findings.

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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 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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 31, 2017.

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
March 31, 2017

A handwritten signature in blue ink that reads "Janet Butler". The signature is fluid and cursive, with "Janet" on the left and "Butler" on the right, connected by a flourish.

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INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 THE UNIFORM GUIDANCE (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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



San Antonio, Texas
March 31, 2017