

**CITY OF BRADY, TEXAS**  
**Financial and Compliance Report**  
**For the Year Ended September 30, 2017**



# CITY OF BRADY, TEXAS

## Financial and Compliance Report For the Year Ended September 30, 2017

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## INTRODUCTORY SECTION



CITY OF BRADY, TEXAS

City Officials

Anthony Groves ..... Mayor  
James Griffin ..... Mayor Pro-Tem  
Ray Garza ..... Council Member  
Jane Huffman ..... Council Member  
Shelly Perkins ..... Council Member  
Jeffrey Sutton ..... Council Member  
Kim Lenoir ..... City Manager  
Lisa Remini ..... Director of Finance



## FINANCIAL SECTION





**Haynie &  
Company**

**Certified Public Accountants** (a professional corporation)  
2702 N. Loop 1604 E., Ste. 202 San Antonio, TX 78232 (210) 979-0055 Fax (210) 979-0058

Robert F. Darilek  
Certified Public Accountant

Steven H. Butler  
Certified Public Accountant

Darenda Klentzman  
Certified Public Accountant

John Boekweg  
Certified Public Accountant

## 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, 2017, and the related notes to the financial statements, which collectively comprise the City of Brady, Texas 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.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

### ***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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the governmental funds budgetary comparison information, and the Schedule of Changes in Net Pension Liability and Related Ratios – Last 10 Years on pages 76-80, 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 are not a required part of the basic financial statements. The schedule of expenditures of federal 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.



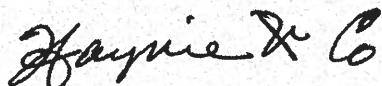
## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 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 April 12, 2018, 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.

Firm's signature

A handwritten signature in black ink that reads "Haynie & Co". The signature is cursive and fluid, with "Haynie" on the top line and "& Co" on the bottom line.

San Antonio, Texas  
April 12, 2018



## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2017

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, 2017. 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, 2017 by \$38,884,822. Of this amount \$9,848,956 or 25.3% 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 \$916,497 during the year.
- The total cost of all the City's programs was \$16,869,153, representing a slight increase from last year by \$436,500 or 2.6%.
- During the year, the City had operating expenses of \$7,784,643 for governmental activities, which was \$2,914,629 more than the \$4,870,014 generated in program and general revenues. Once budgeted transfers from business-type activities of \$3,200,717 are recognized, governmental net position reflects an increase of 2.7% in the amount of \$286,088.
- The City's business-type activities, after transfers to the general fund, reflect an increase in business-type net assets by \$630,410.
- The City reduced its' total long-term debt obligations by \$837,421 or 10.2%.
- During the year, the EDC's net position increased by \$23,880 from \$760,480 to \$784,360.

# CITY OF BRADY, TEXAS

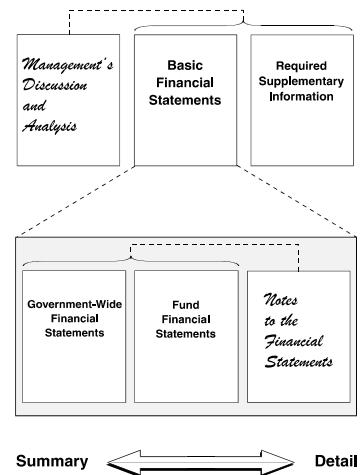
## Management's Discussion and Analysis For the Year Ended September 30, 2017

### 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, 2017

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 2016, as its net position increased by \$916,497 or 2.4%. The largest part of the City's net position reflects its investment in capital assets (land, buildings and improvements, infrastructure assets, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 4% of the City's governmental activities net position is subject to restrictions on how they may be used. The remaining balance of unrestricted net position of \$1,866,824 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 \$38,884,822 as of September 30, 2017. The City's total unrestricted net position of \$9,848,956, the amount that can be used to finance day-to-day operations, decreased by 3.3% compared to last year's balance.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis  
For the Year Ended September 30, 2017

The following reflects a comparative condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Current and Other Assets	3,204,147	3,702,886	9,220,409	8,929,375	12,424,556	12,632,261	540,163	457,513
Capital and Other Long-term Assets	10,031,178	9,692,062	27,332,647	27,398,311	37,363,825	37,090,373	366,004	394,441
<b>Total Assets</b>	<b>13,235,325</b>	<b>13,394,948</b>	<b>36,553,056</b>	<b>36,327,686</b>	<b>49,788,381</b>	<b>49,722,634</b>	<b>906,167</b>	<b>851,954</b>
Deferred Outflows								
Deferred Pension Related Outflows	320,753	428,549	140,443	182,108	461,196	610,657	-	-
<b>Total Deferred Outflows</b>	<b>320,753</b>	<b>428,549</b>	<b>140,443</b>	<b>182,108</b>	<b>461,196</b>	<b>610,657</b>	<b>-</b>	<b>-</b>
Current Liabilities	547,665	850,708	1,540,205	1,335,300	2,087,870	2,186,008	83,853	26,352
Non-Current Liabilities	2,509,372	2,637,210	6,643,618	7,244,235	9,152,990	9,881,445	37,954	65,122
<b>Total Liabilities</b>	<b>3,057,037</b>	<b>3,487,918</b>	<b>8,183,823</b>	<b>8,579,535</b>	<b>11,240,860</b>	<b>12,067,453</b>	<b>121,807</b>	<b>91,474</b>
Deferred Inflows								
Deferred Pension Related Inflows	86,164	208,790	37,731	88,723	123,895	297,513	-	-
<b>Total Deferred Inflows</b>	<b>86,164</b>	<b>208,790</b>	<b>37,731</b>	<b>88,723</b>	<b>123,895</b>	<b>297,513</b>	<b>-</b>	<b>-</b>
Net Position:								
Invested in Capital Assets,								
Net of Related Debt	8,084,779	7,654,955	18,476,230	16,797,102	26,561,009	24,452,057	249,385	308,050
Restricted	461,274	208,273	2,013,583	3,131,077	2,474,857	3,339,350	-	-
Unrestricted	1,866,824	2,263,561	7,982,132	7,913,357	9,848,956	10,176,918	534,975	452,430
<b>TOTAL NET POSITION</b>	<b>\$ 10,412,877</b>	<b>\$ 10,126,789</b>	<b>\$ 28,471,945</b>	<b>\$ 27,841,536</b>	<b>\$ 38,884,822</b>	<b>\$ 37,968,325</b>	<b>\$ 784,360</b>	<b>\$ 760,480</b>

# CITY OF BRADY, TEXAS

## Management's Discussion and Analysis For the Year Ended September 30, 2017

### 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	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Revenues</b>								
Program Revenues:								
Charges for Services	\$ 1,909,351	\$ 1,829,642	\$ 12,861,246	\$ 12,499,285	\$ 14,770,597	\$ 14,328,927	\$ 11,427	\$ 26,201
Grants and Contributions	432,468	1,082,706	11,916	98,454	444,384	1,181,160	-	-
General Revenues:								
Property Taxes	896,760	786,867	-	-	896,760	786,867	-	-
Sales Taxes	1,174,853	1,208,712	-	-	1,174,853	1,208,712	227,234	241,318
Other Taxes	328,500	247,004	-	-	328,500	247,004	-	-
Investment Earnings	126,175	74,954	9,305	8,527	135,480	83,481	5,654	3,096
Other Revenue	1,807	883	45	4	1,852	887	15	207
Gain(Loss) on Disposal of Assets	-	11,350	33,125	2,500	33,125	13,850	-	-
Donated Assets	100	-	-	-	100	-	-	-
<b>TOTAL REVENUES</b>	<b>4,870,014</b>	<b>5,242,118</b>	<b>12,915,637</b>	<b>12,608,770</b>	<b>17,785,651</b>	<b>17,850,888</b>	<b>244,330</b>	<b>270,822</b>
<b>Expenses</b>								
Utility Enterprises								
General Government	-	-	9,084,510	8,599,025	9,084,510	8,599,025	-	-
Public Safety	1,246,119	1,155,446	-	-	1,246,119	1,155,446	-	-
Streets	3,106,227	2,981,800	-	-	3,106,227	2,981,800	-	-
Recreation and Leisure	794,779	831,685	-	-	794,779	831,685	-	-
Community Development	1,902,842	2,034,212	-	-	1,902,842	2,034,212	-	-
Interest and Amortization	694,303	797,507	-	-	694,303	797,507	-	-
Component Unit	40,373	32,978	-	-	40,373	32,978	-	-
<b>TOTAL EXPENSES</b>	<b>7,784,643</b>	<b>7,833,628</b>	<b>9,084,510</b>	<b>8,599,025</b>	<b>16,869,153</b>	<b>16,432,653</b>	<b>220,450</b>	<b>860,352</b>
Excess (Deficiency) before Transfers	(2,914,629)	(2,591,510)	3,831,127	4,009,745	916,498	1,418,235	23,880	(589,530)
Transfers	3,200,717	3,866,054	(3,200,717)	(3,866,054)	-	-	-	-
<b>Increase (Decrease) in Net Position</b>	<b>286,088</b>	<b>1,274,544</b>	<b>630,410</b>	<b>143,691</b>	<b>916,498</b>	<b>1,418,235</b>	<b>23,880</b>	<b>(589,530)</b>
Net Position - Beginning	10,126,789	8,842,245	27,841,535	27,697,845	37,968,324	36,540,090	760,480	1,350,010
Net Position - Ending	<b>\$ 10,412,877</b>	<b>\$ 10,116,789</b>	<b>\$ 28,471,945</b>	<b>\$ 27,841,536</b>	<b>\$ 38,884,822</b>	<b>\$ 37,958,325</b>	<b>\$ 784,360</b>	<b>\$ 760,480</b>

## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2017

#### **Total Primary Government Activities**

Overall, total primary government revenues for fiscal year 2017 were slightly less than fiscal year 2016 by \$65,237 or 0.4%. Reduced grants and sales tax collection offset the gains achieved in charges for services and property tax revenues.

Overall, total primary government expenditures increased by \$436,500 or 2.6%; primarily as the result of increased business-type activities costs in the amount of \$485,485 due in large part to emergency repair costs associated with the aging Wastewater Treatment Plant (\$445,104), significant cost increases associated with equipment used at the city Landfill (\$89,629) and operational cost increases experienced in the Gas Division (\$60,089). General Government and Public Safety activities combined increased by \$125,772 to accommodate market adjustments for employees. However, total expenditures associated with Street Maintenance, Recreation and Leisure, and Community Development combined were \$279,567 less than previous year.

#### **Governmental Activities**

The result of fiscal year 2017 governmental activity records an increase in net position of \$286,088, after a \$3,200,717 transfer from proprietary funds, in net position, to \$10,412,877. Of the total governmental activities' net position, \$8,084,779 is invested in capital assets, net of related debt, and \$1,866,824 is unrestricted, that is, having no legal commitment.

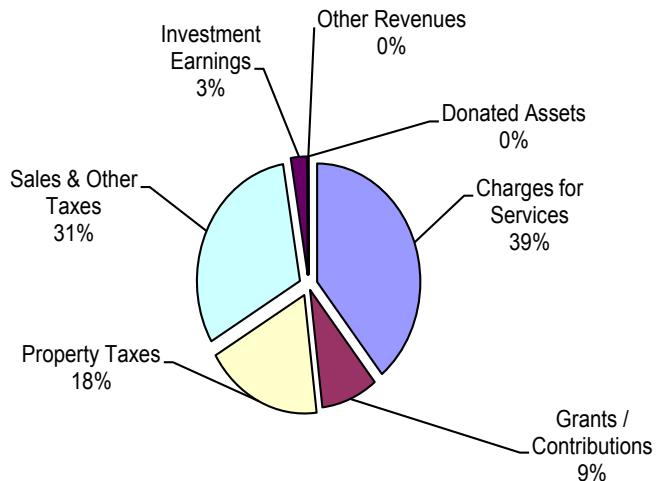
Governmental activities reflect a 4.2% increase in charges for services revenue due largely to an increase in contributions from the EDC for Community Services Administration in the amount of \$82,100 compared to \$30,000 last year and a \$37,940 increase in Municipal Court fines and fees due to improved efforts made by staff to process tickets.

The City continues to secure grant awards, and was given \$224,976 to fund specific capital infrastructure improvements during fiscal year 2017. Sales tax revenues decreased, reflecting 2.9% decrease, or \$33,859 less compared to 2016 collections.

## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2017

#### Revenues – Governmental Activities Fiscal Year Ending September 30, 2017



For fiscal year 2017, 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 97% 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 \$514,445 or 27% of the \$1,909,351 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 \$586,256 or 31% of the total dollars charged for services this year. The lake department generated rental fees and donations in the amount of \$160,508 or 8% of the total charged for services this year. Other charges for services include golf course fees, municipal court fines, right of way fees, cemetery lot sales and fees, and collections for senior citizen meals. The combined revenues from the aforementioned represent the remaining 66% of total service charge revenues.

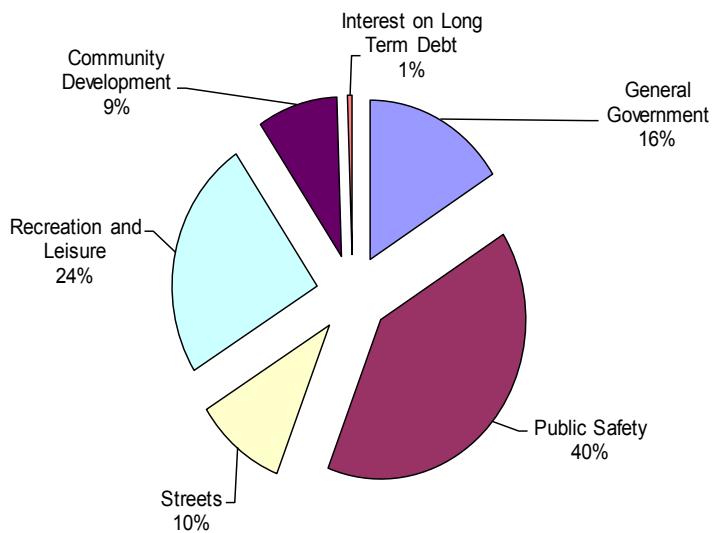
The City received \$1,174,853 in sales tax revenues, which is a 3% decrease from last year's total collections. Included in other taxes are hotel occupancy tax collections of \$291,038 that were passed on to the Chamber of Commerce, and other qualifying organizations for the promotion of tourism to enhance sales tax dollars to the City.

The City maintains a property tax rate at \$0.370893 per \$100 of 2016 values; and collected \$896,760 in property tax revenue. Two cents (\$0.02), or \$47,519, of the tax rate is dedicated to cemetery maintenance.

## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2017

#### Expenses – Governmental Activities Fiscal Year Ending September 30, 2017



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, \$3,106,227 and \$1,902,842, respectively, of the \$7,784,643 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 \$1,246,119, community development totaling \$694,303, street maintenance totaling \$794,779, and interest and amortization totaling \$40,373.

## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2017

#### **Business-Type Activities**

The business-type activities increased the City's net position by \$630,410.

Of the total business-type activities' net position, \$18,476,230 is invested in capital assets, net of related debt, and \$7,982,132 is unrestricted, that is, having no legal commitment. In addition, it maintains a restricted fund balance of \$2,013,583.

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 increased by 5.3% to \$9,084,510. As shown in the statement of activities, the amounts charged to users of the utility services totaled \$12,861,246. Due to approved rate increases in the water, sewer, electric and solid waste services, reflecting a 3% increase of \$361,961 in total services charged for the business-type activities. Additional revenue sources included investment earnings of \$9,305 and Grants and Contributions totaling \$11,916. In total, excess revenues over expenditures for the year was \$3,831,127.

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 \$3,200,717 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, 2017

#### **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, 2017

## FUND FINANCIAL STATEMENT ANALYSIS

### **Governmental Type Funds**

The City reports a combined governmental fund balance of \$3,258,748, reflecting a decrease of \$150,699 in comparison with the previous year. Unassigned fund balance equals \$2,970,358 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 2017 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 is one component unit, the Brady Economic Development Corporation, at September 30, 2017, 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, 2017

#### 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, 2017 is \$33,966,501, net of accumulated depreciation. The majority, 80%, of the City's capital assets is invested in buildings, improvements, and infrastructure.

Governmental activities report the addition of \$2,763,456 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 \$548,820 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, 2017:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2017	2016	2017	2016	2017	2016	2017	2016
Land	\$ 756,484	\$ 756,484	\$ 92,948	\$ 87,509	\$ 849,432	\$ 843,993	\$ 13,643	\$ 13,643
Buildings	7,549,303	7,549,303	15,627,493	15,541,493	23,176,796	23,090,796	452,953	452,953
Equipment	2,312,369	2,145,822	2,768,706	2,883,949	5,081,075	5,029,771	-	-
Vehicles	1,318,373	1,359,776	899,779	842,105	2,218,152	2,201,881	-	-
Infrastructure	11,866,762	9,348,441	14,341,583	14,291,583	26,208,345	23,640,024	-	-
Construction in Progress	449,781	2,029,935	4,039,829	2,640,179	4,489,610	4,670,114	-	-
Less:								
Accumulated Depreciation	(14,475,519)	(13,705,972)	(13,581,390)	(13,075,637)	(28,056,909)	(26,781,609)	(153,415)	(132,944)
Total	\$ 9,777,553	\$ 9,483,789	\$ 24,188,948	\$ 23,211,181	\$ 33,966,501	\$ 32,694,970	\$ 313,181	\$ 333,652

## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2017

#### Debt Administration

At September 30, 2017, the City's total bonds, notes and capital leases outstanding reflect a decrease of \$837,421 compared to prior year. In reviewing the Governmental Activities, one finance contract totaling \$250,000 was issued for the purchase of a fire truck. In reviewing the Business-type Activities, no notes 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, 2017:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2017	2016	2017	2016	2017	2016	2017	2016
General Obligation Refunding Bonds	\$ 989,800	\$ 1,200,500	\$ 20,200	\$ 24,500	\$ 1,010,000	\$ 1,225,000	\$ -	\$ -
Certificates of Obligations	-	-	4,050,000	4,410,000	4,050,000	4,410,000	-	-
Notes to Financial Institutions	-	3,137	1,224,033	1,438,638	1,224,033	1,441,775	63,796	89,520
Equipment Capital Leases	702,974	625,197	418,485	540,941	1,121,459	1,166,138	-	-
Total Bonds, Notes, and Capital Leases	\$ 1,692,774	\$ 1,828,834	\$ 5,712,718	\$ 6,414,079	\$ 7,405,492	\$ 8,242,913	\$ 63,796	\$ 89,520

Total compensated absences for Governmental Funds are \$92,765 and \$34,627 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 \$217,717, and total expenditures were under budget by \$1,012,675, resulting in a net variance to the final budget of \$1,230,392 before transfers.

The original revenue projections for the general fund budget were increased at the mid-year budget review by \$348,151 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 \$1,138,933. 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, 2017

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's elected and appointed officials considered many factors when setting the fiscal year 2018 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 continues as a top priority. These factors were taken into account when adopting the General Fund budget for fiscal year 2018. Council adopted utility rate increases for the water, wastewater and sanitation distribution systems. Cost efficiencies to support the 2018 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 2018 that prioritizes the funding for construction of the Civic Center remodel to comply with the vote by the citizens, and marketing efforts.

#### **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, 2017

	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-Type Activities	TOTAL	
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 2,806,889	\$ 8,442,287	\$ 11,249,176	\$ 537,663
Receivables, Net of Allowances	370,122	647,767	1,017,889	-
Inventory	27,136	128,008	155,144	-
Prepaid Expenses	-	2,347	2,347	2,500
Total Current Assets	3,204,147	9,220,409	12,424,556	540,163
Noncurrent Assets				
Restricted Cash and Cash Equivalents	253,625	3,143,699	3,397,324	-
Other Receivables, Net	-	-	-	52,823
Land	756,484	92,948	849,432	13,643
Construction in Progress	449,781	4,039,829	4,489,610	-
Property and Equipment, Net of Depreciation	8,571,288	20,056,171	28,627,459	299,538
Total Noncurrent Assets	10,031,178	27,332,647	37,363,825	366,004
Total Assets	13,235,325	36,553,056	49,788,381	906,167
<b>DEFERRED OUTFLOWS</b>				
Deferred Pension Related Outflows	320,753	140,443	461,196	-
Total Deferred Outflows	320,753	140,443	461,196	-
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	155,881	809,196	965,077	56,807
Accrued Expenses	10,136	-	10,136	-
Interest Payable	1,247	9,694	10,941	-
Other Payables	-	13,022	13,022	-
Bonds, Notes, and Leases Payable	380,401	708,293	1,088,694	27,046
Total Current Liabilities	547,665	1,540,205	2,087,870	83,853
Noncurrent Liabilities				
Accrued Compensated Absences	92,765	34,627	127,392	-
Bond Premium, Net of Amortization	20,602	-	20,602	-
Landfill Closure	-	430,070	430,070	-
Customer Deposits	-	700,046	700,046	-
Deferred Revenues	-	-	-	1,204
Net Pension Liability	1,083,632	474,450	1,558,082	-
Bonds, Notes, and Leases Payable	1,312,373	5,004,425	6,316,798	36,750
Total Noncurrent Liabilities	2,509,372	6,643,618	9,152,990	37,954
Total Liabilities	3,057,037	8,183,823	11,240,860	121,807
<b>DEFERRED INFLOWS</b>				
Deferred Pension Related Inflows	86,164	37,731	123,895	-
Total Deferred Inflows	86,164	37,731	123,895	-
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	8,084,779	18,476,230	26,561,009	249,385
Restricted	461,274	2,013,583	2,474,857	-
Unrestricted	1,866,824	7,982,132	9,848,956	534,975
Total Net Position	\$ 10,412,877	\$ 28,471,945	\$ 38,884,822	\$ 784,360

The accompanying notes are an integral part of these basic financial statements

# CITY OF BRADY, TEXAS

## Statement of Activities For the Year Ended September 30, 2017

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Administration	\$ 616,619	\$ 43,968	\$ -	\$ -
Airport	762,918	514,445	499	61,613
Public Property Maintenance	457,051	45,833	37,557	-
Mayor and Council	69,214	-	-	-
Golf Course	300,766	111,256	10,000	-
Swimming Pool	90,193	19,310	-	-
Fire Department	276,143	30,445	27,608	-
Police Department	909,505	29,367	-	-
Emergency Operations	29,552	67,700	-	-
Communications	280,967	-	-	-
Community Services Administration	161,509	82,100	-	-
Street Department	794,779	7,760	-	-
Civic Center	72,066	46,551	56,808	-
Municipal Court	78,346	87,183	-	-
Community Services	15,743	-	-	-
Repair Shop	61,371	-	-	-
Animal Control	71,089	453	-	-
EMS	1,300,150	586,256	-	-
Lake Department	198,617	160,508	-	-
Financial Administration	276,712	9,059	-	-
Building Inspection and Permits	160,475	36,919	-	-
G. Rollie White Complex	21,231	-	-	-
Purchasing	60,694	-	-	-
Special Revenue Fund	678,560	30,238	75,020	163,363
Interest on Long-Term Debt	40,373	-	-	-
Total Governmental Activities	7,784,643	1,909,351	207,492	224,976
Business-Type Activities				
Sewer	833,310	954,720	-	8,966
Electric	4,325,483	7,455,958	-	-
Water	1,523,363	1,972,854	-	2,950
Gas	866,064	1,154,331	-	-
Solid Waste	1,011,836	1,092,141	-	-
Utility Support	524,454	231,242	-	-
Total Business-Type Activities	9,084,510	12,861,246	-	11,916
Total Primary Government	\$ 16,869,153	\$ 14,770,597	\$ 207,492	\$ 236,892
Total Component Unit	\$ 220,450	\$ 11,427	\$ -	\$ -
General Revenues				
Taxes				
Property Taxes, Levied for General Purposes				
Sales Taxes				
Franchise Taxes				
Mixed Beverage Taxes				
Hotel Occupancy Taxes				
Interest Revenue				
Miscellaneous				
Gain (Loss) on the Disposal of Capital Assets				
Donations				
Transfers				
Total General Revenues, Special Items, and Transfers				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

The accompanying notes are an integral part of these basic financial statements

CITY OF BRADY, TEXAS

Statement of Activities  
For the Year Ended September 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Total Component Unit
\$ (572,651)	\$ -	\$ (572,651)	\$ -
(186,361)	-	(186,361)	-
(373,661)	-	(373,661)	-
(69,214)	-	(69,214)	-
(179,510)	-	(179,510)	-
(70,883)	-	(70,883)	-
(218,090)	-	(218,090)	-
(880,138)	-	(880,138)	-
38,148	-	38,148	-
(280,967)	-	(280,967)	-
(79,409)	-	(79,409)	-
(787,019)	-	(787,019)	-
31,293	-	31,293	-
8,837	-	8,837	-
(15,743)	-	(15,743)	-
(61,371)	-	(61,371)	-
(70,636)	-	(70,636)	-
(713,894)	-	(713,894)	-
(38,109)	-	(38,109)	-
(267,653)	-	(267,653)	-
(123,556)	-	(123,556)	-
(21,231)	-	(21,231)	-
(60,694)	-	(60,694)	-
(409,939)	-	(409,939)	-
(40,373)	-	(40,373)	-
<u>(5,442,824)</u>	<u>-</u>	<u>(5,442,824)</u>	<u>-</u>
 - 130,376	 3,130,475	 452,441	 288,267
 - 80,305	 - (293,212)	 3,788,652	 3,788,652
<u>\$ (5,442,824)</u>	<u>\$ 3,788,652</u>	<u>\$ (1,654,172)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (209,023)</u>
 896,760	 1,174,853	 30,947	 6,515
 1,174,853	 - 1,174,853	 30,947	 6,515
 30,947	 - 291,038	 135,480	 5,654
 6,515	 126,175	 9,305	 1,852
 291,038	 1,807	 45	 15
 126,175	 - 33,125	 33,125	 -
 1,807	 100	 100	 -
 33,125	 3,200,717	 (3,200,717)	 -
 100	 5,728,912	 (3,158,242)	 -
 3,200,717	 5,728,912	 (3,158,242)	 2,570,670
 5,728,912	 286,088	 630,410	 916,498
 286,088	 10,126,789	 27,841,535	 37,968,324
 10,126,789	 \$ 10,412,877	 \$ 28,471,945	 \$ 38,884,822
 \$ 10,412,877	 \$ -	 \$ -	 \$ 784,360

The accompanying notes are an integral part of these basic financial statements

CITY OF BRADY, TEXAS

Balance Sheet – Governmental Funds  
For the Year Ended September 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,855,406	\$ 205,108	\$ 3,060,514
Receivables, Net of Allowances:			
Property Taxes	43,785	275	44,060
Accounts Receivables	81,857	244,205	326,062
Inventory	27,136	-	27,136
Total Assets	\$ 3,008,184	\$ 449,588	\$ 3,457,772
<b>LIABILITIES</b>			
Accounts Payable	\$ 119,050	\$ 36,831	\$ 155,881
Accrued Expenses	10,136	-	10,136
Interest Payable	-	-	-
Total Liabilities	129,186	36,831	166,017
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	33,007	-	33,007
	33,007	-	33,007
<b>FUND BALANCES</b>			
Fund Balance:			
Nonspendable	27,136	-	27,136
Restricted	48,517	412,757	461,274
Unassigned	2,770,338	-	2,770,338
Total Fund Balance	2,845,991	412,757	3,258,748
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,008,184	\$ 449,588	
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 \$14,475,519			9,777,553
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			320,753
Pension Related Deferred Inflows			(86,164)
Net Pension Liability			(1,083,632)
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			33,007
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Notes, Bonds, and Capital Leases			(1,692,774)
Bond Premium, Net of Amortization			(20,602)
Interest Payable			(1,247)
Accrued Compensated Absences			(92,765)
Net Position of Governmental Activities	\$ 10,412,877		

The accompanying notes are an integral part of these basic financial statements

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended September 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Property Tax	\$ 846,919	\$ -	\$ 846,919
Sales Tax	944,642	230,211	1,174,853
Franchise Tax	30,947	-	30,947
Occupancy Tax	-	291,038	291,038
Mixed Beverage Tax	6,515	-	6,515
Interest Income	126,175	-	126,175
Miscellaneous Revenue	1,807	-	1,807
Reimbursed Expenses	57,316	14	57,330
Administrative	43,809	-	43,809
Airport	514,445	-	514,445
Public Property Maintenance	45,733	-	45,733
Golf Course	90,138	-	90,138
Swimming Pool	19,310	-	19,310
Fire Department	30,270	-	30,270
Police Department	22,888	-	22,888
Emergency Operations	67,700	-	67,700
Community Services Administration	82,100	-	82,100
Street Department	6,963	-	6,963
Civic Center	77,433	-	77,433
Pass-Through Services	-	4,396	4,396
Senior Citizen Program	-	25,828	25,828
Municipal Court	87,183	-	87,183
Animal Control	453	-	453
City/County EMS	586,155	-	586,155
Lake Department	160,508	-	160,508
Community Development	-	163,363	163,363
Cemetery Maintenance	-	47,519	47,519
Financial Administration	6,615	-	6,615
Building Inspection and Permits	36,902	-	36,902
Donations	75,664	-	75,664
Grant Revenues	61,613	75,020	136,633
Total Revenues	\$ 4,030,203	\$ 837,389	\$ 4,867,592

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
 Governmental Funds  
 For the Year Ended September 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>EXPENDITURES</b>			
Current:			
Administration	\$ 585,352	\$ -	\$ 585,352
Airport	536,672	-	536,672
Public Property Maintenance	344,888	-	344,888
Mayor and Council	69,214	-	69,214
Golf Course	272,350	-	272,350
Swimming Pool	90,193	-	90,193
Fire Department	286,744	-	286,744
Police Department	818,508	-	818,508
Emergency Operations	18,932	-	18,932
Communications	277,634	-	277,634
Community Services Administration	158,370	-	158,370
Street Department	543,610	-	543,610
Civic Center	48,588	-	48,588
Pass-Through Services	-	454,393	454,393
Senior Citizens Program	-	215,857	215,857
Municipal Court	70,262	-	70,262
Community Services	15,743	-	15,743
Repair Shop	60,216	-	60,216
Animal Control	70,618	-	70,618
City/County EMS	1,221,195	-	1,221,195
Lake Department	172,635	-	172,635
G.R. White Complex	14,495	-	14,495
Purchasing	60,756	-	60,756
Financial Administration	277,006	-	277,006
Cemetery Maintenance	-	6,800	6,800
Building Inspection and Permits	153,404	-	153,404
Capital Outlay	860,150	323,153	1,183,303
Debt Service:			
Principal	386,060	-	386,060
Interest	55,310	-	55,310
Total Expenditures	<u>7,468,905</u>	<u>1,000,203</u>	<u>8,469,108</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,438,702)	(162,814)	(3,601,516)
<b>Other Financing Sources (Uses)</b>			
Bond Proceeds	250,000	-	250,000
Donated Assets	100	-	100
Transfers In	3,038,058	173,659	3,211,717
Transfers Out	(11,000)	-	(11,000)
Total Other Financing Sources (Uses)	<u>3,277,158</u>	<u>173,659</u>	<u>3,450,817</u>
Change in Fund Balances	(161,544)	10,845	(150,699)
Total Net Position - Beginning of Year	3,007,535	401,912	3,409,447
Total Fund Balances - End of Year	<u>\$ 2,845,991</u>	<u>\$ 412,757</u>	<u>\$ 3,258,748</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
 Governmental Funds  
 For the Year Ended September 30, 2017

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	\$ (150,699)
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	1,183,303
Depreciation Expense	(889,538)
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	(250,000)
Bond Premium	20,602
Bond and Lease Principal Payments	386,060
Deferred Interest on Refunded Bond	3,666
Amortization of Bond Insurance Premium	(12,134)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property Tax Revenue	2,321
The change in net position liability and deferred inflows and outflows related to the City's TMRS pension liability:	
	(21,301)
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	2,803
Accrued Compensated Absences	<u>11,005</u>
Change in Net Position of Governmental Activities	\$ <u><u>286,088</u></u>

CITY OF BRADY, TEXAS

Statement of Net Position  
 Proprietary Funds  
 As of September 30, 2017

	Sewer and Electric	Water Department	Gas Department
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 5,608,437	\$ 1,180,271	\$ 948,535
Receivables:			
Accounts, Net	440,325	89,031	43,979
Other	-	-	-
Inventory	-	-	-
Prepaid Expenses	2,347	-	-
Total Current Assets	<u>6,051,109</u>	<u>1,269,302</u>	<u>992,514</u>
<b>Noncurrent Assets</b>			
<b>Restricted Assets:</b>			
Cash and Cash Equivalents	1,306,256	707,327	-
<b>Capital Assets:</b>			
Land	12,397	10,814	2,337
Construction in Progress	1,596,014	2,405,241	38,574
Property & Equipment	7,567,587	19,213,294	2,363,784
Accumulated Depreciation	(5,225,213)	(5,815,485)	(828,116)
Total Noncurrent Assets	<u>5,257,041</u>	<u>16,521,191</u>	<u>1,576,579</u>
Total Assets	<u>11,308,150</u>	<u>17,790,493</u>	<u>2,569,093</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred Pension Related Outflows	42,696	30,391	16,080
Total Deferred Outflows	<u>42,696</u>	<u>30,391</u>	<u>16,080</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts Payable	564,248	179,476	24,705
Interest Payable	2,292	4,534	2,193
Other Payables	-	-	-
Bonds, Notes and Leases Payable	175,442	377,443	67,889
Total Current Liabilities	<u>741,982</u>	<u>561,453</u>	<u>94,787</u>
<b>Noncurrent</b>			
Accrued Compensated Absences	10,606	7,344	4,380
Landfill Closure	-	-	-
Utility Deposits	-	-	-
Net Pension Liability	139,706	103,348	54,070
Bonds, Notes and Leases Payable	996,213	3,481,442	271,015
Total Noncurrent Liabilities	<u>1,146,525</u>	<u>3,592,134</u>	<u>329,465</u>
Total Liabilities	<u>1,888,507</u>	<u>4,153,587</u>	<u>424,252</u>
<b>DEFERRED INFLOWS</b>			
Deferred Pension Related Inflows	12,347	8,006	4,335
Total Deferred Inflows	<u>12,347</u>	<u>8,006</u>	<u>4,335</u>
<b>NET POSITION</b>			
Net Position, Invested in Capital Assets,			
Net of Related Debt	2,779,130	11,954,979	1,237,675
Restricted Net Position	1,306,256	707,327	-
Unrestricted Net Assets	5,364,606	996,985	918,911
Total Net Position	<u>\$ 9,449,992</u>	<u>\$ 13,659,291</u>	<u>\$ 2,156,586</u>

The accompanying notes are an integral part of these basic financial statements

CITY OF BRADY, TEXAS

Statement of Net Position (Continued)  
 Proprietary Funds  
 As of September 30, 2017

	Solid Waste	Utility Support	Totals
\$	660,801	\$ 44,243	\$ 8,442,287
	50,872	8,045	632,252
	-	15,515	15,515
	-	128,008	128,008
	-	-	2,347
	<u>711,673</u>	<u>195,811</u>	<u>9,220,409</u>
	430,070	700,046	3,143,699
	67,400	-	92,948
	-	-	4,039,829
	1,551,827	2,941,069	33,637,561
	(1,184,382)	(528,194)	(13,581,390)
	<u>864,915</u>	<u>3,112,921</u>	<u>27,332,647</u>
	<u>1,576,588</u>	<u>3,308,732</u>	<u>36,553,056</u>
	<u>34,040</u>	<u>17,236</u>	<u>140,443</u>
	<u>34,040</u>	<u>17,236</u>	<u>140,443</u>
	6,797	33,970	809,196
	664	11	9,694
	-	13,022	13,022
	<u>82,151</u>	<u>5,368</u>	<u>708,293</u>
	<u>89,612</u>	<u>52,371</u>	<u>1,540,205</u>
	9,481	2,816	34,627
	430,070	-	430,070
	-	700,046	700,046
	119,696	57,630	474,450
	254,585	1,170	5,004,425
	<u>813,832</u>	<u>761,662</u>	<u>6,643,618</u>
	<u>903,444</u>	<u>814,033</u>	<u>8,183,823</u>
	<u>8,209</u>	<u>4,834</u>	<u>37,731</u>
	<u>8,209</u>	<u>4,834</u>	<u>37,731</u>
	98,109	2,406,337	18,476,230
	-	-	2,013,583
	<u>600,866</u>	<u>100,764</u>	<u>7,982,132</u>
\$	<u>698,975</u>	<u>\$ 2,507,101</u>	<u>\$ 28,471,945</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended September 30, 2017

	Sewer and Electric	Water Department	Gas Department
<b>OPERATING REVENUES</b>			
Charges for Services:			
Electrical Distribution	\$ 7,386,428	\$ -	\$ -
Wastewater	954,720	-	-
Water Department	-	1,938,673	-
Gas Department	-	-	1,153,247
Solid Waste	-	-	-
Street Sanitation	-	-	-
Utility Support	-	-	-
Grant Revenue	8,966	2,950	-
Miscellaneous Revenues	-	-	-
Reimbursed Expenses	69,530	34,181	1,084
Total Operating Revenues	<u>8,419,644</u>	<u>1,975,804</u>	<u>1,154,331</u>
<b>OPERATING EXPENSES</b>			
Sewer and Electric Department			
Power Plant	21,109	-	-
Electrical Distribution	4,184,664	-	-
Wastewater	750,560	-	-
Water Department			
Public Works Administration	-	117,659	-
Water	-	873,822	-
Gas Department			
Gas	-	-	737,466
Solid Waste Department			
Solid Waste	-	-	-
Street Sanitation	-	-	-
Utility Support:			
Administration	-	-	-
Meter Shop	-	-	-
Billing-Collection	-	-	-
Bad Debt Expense	22,750	5,000	1,800
Depreciation	152,369	497,550	114,373
Total Operating Expenses	<u>5,131,452</u>	<u>1,494,031</u>	<u>853,639</u>
Operating Income (Loss)	3,288,192	481,773	300,692
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain (Loss) on the Disposal of Capital Assets	500	-	-
Interest Income	1,167	3,515	-
Interest Expense	(27,341)	(29,332)	(12,425)
Total Non-Operating Revenues (Expenses)	<u>(25,674)</u>	<u>(25,817)</u>	<u>(12,425)</u>
Income (Loss) Before Transfers	3,262,518	455,956	288,267
Transfers In	-	-	-
Transfers Out	<u>(2,700,000)</u>	<u>(221,258)</u>	<u>(492,259)</u>
Change in Net Position	562,518	234,698	(203,992)
Total Net Position - Beginning	<u>8,887,474</u>	<u>13,424,593</u>	<u>2,360,578</u>
Total Net Position - Ending	<u>\$ 9,449,992</u>	<u>\$ 13,659,291</u>	<u>\$ 2,156,586</u>

The accompanying notes are an integral part of these basic financial statements

CITY OF BRADY, TEXAS

Statement of Revenues, Expenses, and Changes in Net Position (Continued)  
 Proprietary Funds  
 For the Year Ended September 30, 2017

Solid Waste	Utility Support	Totals
\$ - \$ -	\$ -	\$ 7,386,428
-	-	954,720
-	-	1,938,673
-	-	1,153,247
1,016,797	-	1,016,797
74,978	-	74,978
-	229,794	229,794
-	-	11,916
-	45	45
366	1,448	106,609
<u>1,092,141</u>	<u>231,287</u>	<u>12,873,207</u>
-	-	21,109
-	-	4,184,664
-	-	750,560
-	-	117,659
-	-	873,822
-	-	737,466
852,982	-	852,982
33,527	-	33,527
-	136,622	136,622
-	59,870	59,870
-	220,856	220,856
3,730	2,620	35,900
107,731	104,119	976,142
<u>997,970</u>	<u>524,087</u>	<u>9,001,179</u>
94,171	(292,800)	3,872,028
28,625	4,000	33,125
4,143	480	9,305
<u>(13,866)</u>	<u>(367)</u>	<u>(83,331)</u>
<u>18,902</u>	<u>4,113</u>	<u>(40,901)</u>
113,073	(288,687)	3,831,127
-	225,000	225,000
<u>(12,200)</u>	<u>-</u>	<u>(3,425,717)</u>
100,873	(63,687)	630,410
598,102	2,570,788	27,841,535
<u>\$ 698,975</u>	<u>\$ 2,507,101</u>	<u>\$ 28,471,945</u>

The accompanying notes are an integral part of these basic financial statements

**CITY OF BRADY, TEXAS**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2017**

	<b>Sewer and Electric</b>	<b>Water</b>	<b>Gas</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 8,244,242	\$ 1,943,076	\$ 1,144,945
Payments to Suppliers	(4,258,769)	(617,883)	(525,158)
Payments to Employees for Services	(328,473)	(235,275)	(140,943)
Payments on Behalf of Employees for Benefits	(97,970)	(82,404)	(56,100)
Receipts (Refunds) of Customer Deposits	-	-	-
Receipts from Grants	8,965	2,950	-
Net Cash Provided (Used) by Operating Activities	<u>3,567,995</u>	<u>1,010,464</u>	<u>422,744</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating Subsidies and Transfers from Other Funds	(2,700,000)	(221,258)	(492,259)
Operating Subsidies and Transfers to Other Funds	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,700,000)</u>	<u>(221,258)</u>	<u>(492,259)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from Sale of Fixed Assets	500	-	-
Purchases of Capital Assets and Construction in Progress	(904,146)	(831,930)	(99,344)
Principal Paid on Capital Debt	(173,317)	(377,980)	(65,632)
Interest Paid on Capital Debt	(28,910)	(30,524)	(12,817)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(1,105,873)</u>	<u>(1,240,434)</u>	<u>(177,793)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends	1,167	3,515	-
Net Cash Provided (Used) by Investing Activities	<u>1,167</u>	<u>3,515</u>	<u>-</u>
Net Increase (Decrease) In Cash & Cash Equivalents	(236,711)	(447,713)	(247,308)
Balances - Beginning of the Year	<u>7,154,167</u>	<u>2,337,376</u>	<u>1,196,953</u>
Balances - End of the Year	<u>\$ 6,917,456</u>	<u>\$ 1,889,663</u>	<u>\$ 949,645</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 3,288,192	\$ 481,773	\$ 300,692
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	152,369	497,550	114,373
Bad Debt Expense	22,750	5,000	1,800
Amortization Expense	2,347	-	-
Change In Assets & Liabilities:			
Accounts Receivable	(96,781)	4,402	(8,304)
Other Receivables	-	-	-
Inventories	-	-	-
Accounts Payable	196,185	11,397	8,330
Prepaid Expenses	(2,347)	2,135	705
Other Payables	-	-	-
Net Pension Liability	8,688	6,495	3,491
Compensated Absences	(3,408)	1,712	1,657
Customer Deposits Payable	-	-	-
Landfill Closure/Post Closure Costs	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,567,995</u>	<u>\$ 1,010,464</u>	<u>\$ 422,744</u>
Reconciliation to Statement of Net Position - Proprietary Funds:			
Cash and Cash Equivalents - Unrestricted	\$ 5,608,437	\$ 1,180,271	\$ 948,535
Cash and Cash Equivalents - Restricted	1,306,256	707,327	-
Total Cash and Cash Equivalents - Proprietary Funds	<u>\$ 6,914,693</u>	<u>\$ 1,887,598</u>	<u>\$ 948,535</u>
<b>SCHEDULE OF NONCASH ACTIVITIES</b>			
Actuarial Calculation of Net Pension Liability	<u>(2,763)</u>	<u>(2,065)</u>	<u>(1,110)</u>

The accompanying notes are an integral part of these basic financial statements

CITY OF BRADY, TEXAS

Statement of Cash Flows (Continued)  
 Proprietary Funds  
 For the Year Ended September 30, 2017

Solid Waste	Utility Support	Total
\$ 1,064,382	\$ 315,242	\$ 12,711,887
(404,535)	(206,314)	(6,012,659)
(303,330)	(138,706)	(1,146,727)
(120,358)	(48,895)	(405,727)
-	28,381	28,381
-	-	11,915
<u>236,159</u>	<u>(50,292)</u>	<u>5,187,070</u>
 (12,200)	 -	 (3,425,717)
<u>-</u>	<u>225,000</u>	<u>225,000</u>
<u>(12,200)</u>	<u>225,000</u>	<u>(3,200,717)</u>
 28,625	 4,000	 33,125
-	(118,489)	(1,953,909)
(79,064)	(5,368)	(701,361)
<u>(14,042)</u>	<u>(376)</u>	<u>(86,669)</u>
<u>(64,481)</u>	<u>(120,233)</u>	<u>(2,708,814)</u>
 4,143	 480	 9,305
<u>4,143</u>	<u>480</u>	<u>9,305</u>
 163,621	 54,955	 (713,156)
<u>929,622</u>	<u>690,351</u>	<u>12,308,469</u>
<u>\$ 1,093,243</u>	<u>\$ 745,306</u>	<u>\$ 11,595,313</u>
 \$ 94,171	 \$ (292,800)	 \$ 3,872,028
 107,731	 104,119	 976,142
3,730	2,620	35,900
-	-	2,347
 (15,389)	 88,366	 (27,706)
-	(2,811)	(2,811)
-	18,171	18,171
(13,883)	(1,122)	200,907
3,520	-	4,013
-	804	804
7,458	3,197	29,329
792	783	1,536
-	28,381	28,381
<u>48,029</u>	<u>-</u>	<u>48,029</u>
<u>\$ 236,159</u>	<u>\$ (50,292)</u>	<u>\$ 5,187,070</u>
 \$ 660,801	 \$ 44,243	 \$ 8,442,287
<u>430,070</u>	<u>700,046</u>	<u>3,143,699</u>
<u>\$ 1,090,871</u>	<u>\$ 744,289</u>	<u>\$ 11,585,986</u>
 <u>(2,372)</u>	 <u>(1,017)</u>	 <u>(9,327)</u>

The accompanying notes are an integral part of these basic financial statements

CITY OF BRADY, TEXAS

Statement of Net Position  
 Discretely Presented Component Unit  
 As of September 30, 2017

Brady Economic  
 Development  
 Corporation

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 537,663
Prepaid Expenses	2,500
Total Current Assets	<u>540,163</u>
Noncurrent Assets	
Other Receivables	52,823
Land	13,643
Other Capital Assets, Net of Depreciation	<u>299,538</u>
Total Noncurrent Assets	<u>366,004</u>
Total Assets	<u>906,167</u>

**LIABILITIES**

Current Liabilities

Accounts Payable	56,807
Bonds, Notes and Leases Payable	<u>27,046</u>
Total Current Liabilities	<u>83,853</u>
Noncurrent Liabilities	
Deferred Revenues	1,204
Bonds, Notes and Leases Payable	<u>36,750</u>
Total Noncurrent Liabilities	<u>37,954</u>
Total Liabilities	<u>121,807</u>

**NET POSITION**

Invested in Capital Assets, Net of Related Debt	249,385
Unrestricted	<u>534,975</u>
Total Net Position	<u>\$ 784,360</u>

CITY OF BRADY, TEXAS

Statement of Activities  
 Discretely Presented Component Unit  
 For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Governmental Activities	
Governmental Activities				
General Government				
Rental Income	\$ -	\$ 11,427	\$ 11,427	
Marketing	22,165	-	(22,165)	
Professional/Legal Fees	5,606	-	(5,606)	
Contract for Services	88,715	-	(88,715)	
Community Development	70,775	-	(70,775)	
Annual Land Lease	250	-	(250)	
Travel and Training	7,364	-	(7,364)	
Membership Dues and Fees	850	-	(850)	
Office Supplies	40	-	(40)	
Office Equipment	216	-	(216)	
Meeting Provisions	472	-	(472)	
Interest Expense	3,526	-	(3,526)	
Depreciation Expense	20,471	-	(20,471)	
Total Governmental Activities	220,450	11,427	(209,023)	
General Revenues				
Taxes				
Sales Taxes			227,234	
Interest Revenue			5,654	
Miscellaneous			15	
Total General Revenues, Special Items, and Transfers			232,903	
Change in Net Position			23,880	
Net Position - Beginning			760,480	
Net Position - Ending		\$	784,360	

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2017

#### 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, 2017

### 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, 2017

### 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, 2017

### 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, 2017

### 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, 2017

### 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 \$31,069 at September 30, 2017 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, 2017

## 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, 2017

## 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, 2017.
- *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, 2017.
- *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, 2017

### 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, 2017 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, 2017

#### 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, 2017:

	Transfers In	Transfers Out	Net Transfers In/Out
<b>Governmental Activities</b>			
General Fund	\$ 3,038,058	\$ 11,000	\$ 3,027,058
Special Revenue Fund	173,659	-	173,659
<b>Business-Type Activities</b>			
Sewer and Electric	-	2,700,000	(2,700,000)
Water	-	221,258	(221,258)
Gas	-	492,259	(492,259)
Solid Waste	-	12,200	(12,200)
Utility Support	225,000	-	225,000
	<u>\$ 3,436,717</u>	<u>\$ 3,436,717</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, 2017

### Note D – Deposits and Investments (Continued)

#### **Deposits and Investments**

The carrying amount of the City's cash held with financial institutions was \$12,883,308 and the bank balance was \$13,123,735. 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.	12,623,735
Total Bank Balance	\$ <u>13,123,735</u>

All deposits were fully secured at the balance sheet date.

The carrying amount of the EDC's cash held with financial institutions was \$537,663 and the bank balance was \$538,163. 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.	288,163
Total Bank Balance	\$ <u>538,163</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, 2017

#### Note D – Deposits and Investments (Continued)

#### **Restricted Deposits and Investments**

The City had deposits and investments restricted for the following purposes at September 30, 2017:

Restricted For:	Governmental Activities	Business-Type Activities	Total
State, Local and Federally Funded Programs	\$ 205,108	\$ -	\$ 205,108
Police Activities	16,177	-	16,177
Court Technology and Security	8,950	-	8,950
Debt Service	23,390	88,219	111,609
Clean Water Project	-	1,306,256	1,306,256
Drinking Water Project	-	399,108	399,108
Texas Water Development Board Covenant	-	220,000	220,000
Utility Customer Deposits	-	700,046	700,046
Landfill Closure Reserve	-	430,070	430,070
Total Restricted Cash	<u>\$ 253,625</u>	<u>\$ 3,143,699</u>	<u>\$ 3,397,324</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 2017, the City of Brady had property with an assessed valuation of \$236,492,425. The tax rate was \$0.370893 per \$100 valuation.

CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2017

Note F – Capital Assets and Depreciation

Capital asset activity for the year ended September 30, 2017 was as follows:

<b>Governmental Activities</b>	<b>Balance</b>			<b>Balance</b>
	<b>10/1/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>9/30/2017</b>
Capital assets not being depreciated:				
Land	\$ 756,484	\$ -	\$ -	\$ 756,484
Construction in progress	2,029,935	751,368	(2,331,522)	449,781
Subtotal	2,786,419	751,368	(2,331,522)	1,206,265
Capital assets being depreciated:				
Buildings and improvements	7,549,303	-	-	7,549,303
Infrastructure	9,348,441	2,518,321	-	11,866,762
Vehicles	1,359,776	15,310	(56,713)	1,318,373
Equipment	2,145,822	229,825	(63,278)	2,312,369
Subtotal	20,403,342	2,763,456	(119,991)	23,046,807
Accumulated depreciation:				
Buildings and improvements	(3,839,217)	(257,870)	-	(4,097,087)
Infrastructure	(7,264,892)	(381,378)	-	(7,646,270)
Vehicles	(945,271)	(118,685)	56,713	(1,007,243)
Equipment	(1,656,592)	(131,605)	63,278	(1,724,919)
Subtotal	(13,705,972)	(889,538)	119,991	(14,475,519)
Net capital assets being depreciated	6,697,370	1,873,918	-	8,571,288
Net capital assets	\$ 9,483,789	\$ 2,625,286	\$ (2,331,522)	\$ 9,777,553

CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2017

Note F – Capital Assets and Depreciation (Continued)

<b>Business-Type Activities</b>	<b>Balance 10/1/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2017</b>
Capital assets not being depreciated:				
Land	\$ 87,509	\$ 5,439	\$ -	\$ 92,948
Construction in progress	2,640,179	1,399,650	-	4,039,829
Subtotal	2,727,688	1,405,089	-	4,132,777
Capital assets being depreciated:				
Buildings and improvements	15,541,493	86,000	-	15,627,493
Infrastructure	14,291,583	50,000	-	14,341,583
Vehicles	842,105	224,085	(166,411)	899,779
Equipment	2,883,949	188,735	(303,978)	2,768,706
Subtotal	33,559,130	548,820	(470,389)	33,637,561
Accumulated depreciation:				
Buildings and improvements	(4,628,793)	(311,409)	-	(4,940,202)
Infrastructure	(5,908,506)	(466,855)	-	(6,375,361)
Vehicles	(631,800)	(70,481)	166,411	(535,870)
Equipment	(1,906,538)	(127,397)	303,978	(1,729,957)
Subtotal	(13,075,637)	(976,142)	470,389	(13,581,390)
Net capital assets being depreciated	20,483,493	(427,322)	-	20,056,171
Net capital assets	\$ 23,211,181	\$ 977,767	\$ -	\$ 24,188,948

<b>Economic Development Corporation</b>	<b>Balance 10/1/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2017</b>
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	(132,944)	(20,471)	-	(153,415)
Subtotal	(132,944)	(20,471)	-	(153,415)
Net capital assets being depreciated	320,009	(20,471)	-	299,538
Net capital assets	\$ 333,652	\$ (20,471)	\$ -	\$ 313,181

CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2017

Note F – Capital Assets and Depreciation (Continued)

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

**Governmental Activities**

Administration	\$ 32,098
Airport	224,572
Public Property Maintenance	109,551
Golf Course	29,450
Fire Department	13,600
Police Department	82,036
Emergency Operations Center	10,620
Communications	2,114
Street Department	249,593
Civic Center	23,478
Senior Citizens Program	1,076
Municipal Court	8,085
Repair Shop	1,078
Animal Control	461
EMS Department	61,834
Lake Department	26,011
G. Rollie White Complex	6,736
Code Enforcement	6,455
Community Development	690
Total Depreciation Expense	<u>\$ 889,538</u>

**Business-Type Activities**

Electric	\$ 92,369
Sewer	60,000
Water	497,550
Gas	114,373
Solid Waste	67,554
Street Sanitation	40,176
Utility Support	104,120
Total Depreciation Expense	<u>\$ 976,142</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, 2017

#### Note G – Defined Benefit Pension Plans

##### **Plan Description**

The City of Brady participates as one of the 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2016</u>
Inactive employees of beneficiaries currently receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	101
Active employees	92
	<u>243</u>

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2017

### 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 10.29% and 10.86% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were \$397,837, and were equal to the required contributions.

#### **Net Pension Liability**

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

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. 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 Combined Healthy 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, 2017

### Note G – Defined Benefit Pension Plans (Continued)

#### **Net Pension Liability (Continued)**

Actuarial assumptions used in the December 31, 2016, 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. 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 long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

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

CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2017

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 12/31/2015	\$ 8,634,968	\$ 7,142,345	\$ 1,492,623
Changes for the year:			
Service Cost	521,298	-	521,298
Interest	588,735	-	588,735
Change of benefit terms	-	-	-
Difference between expected and actual experience	15,972	-	15,972
Change of assumptions	-	-	-
Contributions - employer	-	365,382	(365,382)
Contributions - employee	-	218,574	(218,574)
Net investment income	-	482,335	(482,335)
Benefit payments, including refunds of employee contributions	(347,221)	(347,221)	-
Administrative expense	-	(5,451)	5,451
Other Changes	-	(294)	294
Net changes	778,784	713,325	65,459
Balance at 12/31/2016	\$ 9,413,752	\$ 7,855,670	\$ 1,558,082

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, 2017

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	\$ 2,935,731	\$ 1,558,082	\$ 434,472

*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](http://www.tmrs.com).

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

For the year ended September 30, 2017, the city recognized pension expense of \$397,837.

At September 30, 2017, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 10,445	\$ -
Difference in Actual Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	-	(182)
Contributions Subsequent to the Measurement Date	294,231	-
	<u>304,676</u>	<u>(182)</u>

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2017

#### Note G – Defined Benefit Pension Plans (Continued)

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

\$294,231 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, 2017. Other amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2016	\$ 24,248
2017	114,841
2018	94,656
2019	(47)
Total	<u>\$ 233,698</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 2017, 2016 and 2015 were \$6,173, \$9,294, and \$8,584, 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 \$127,392 at September 30, 2017.

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2017

#### 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, 2017 were \$22,054 for governmental activities and \$108,268 for business-type activities.

Future minimum lease payments for operating leases are as follows:

Year Ended	
September 30,	Amount
2018	\$ 83,449
2019	78,244
2020	71,830
2021	27,189
2022	3,440
Total	\$ 264,152

The assets acquired through capital leases have a capitalized cost of \$4,014,270. Accumulated depreciation at year-end was \$1,510,815. Capital lease obligations are discussed in Note K.

CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2017

Note K – Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017 includes the following:

<b>Governmental Activities</b>	Balance		<b>Reductions</b>	<b>Balance</b>	<b>Amount Due Within One Year</b>
	<b>10/1/2016</b>	<b>Additions</b>			
General Obligation Refunding Bonds, Series 2012	\$ 1,200,500	\$ -	\$ (210,700)	\$ 989,800	\$ 191,100
First Financial Bank *	3,137	-	(3,137)	-	-
First Financial Bank *	25,629	-	(9,541)	16,088	10,000
First Financial Bank *	29,978	-	(6,751)	23,227	7,038
First Financial Bank *	14,514	-	(5,396)	9,118	5,427
First Financial Bank *	32,327	-	(7,829)	24,498	8,695
First Financial Bank *	44,840	-	(8,687)	36,153	9,003
Government Capital *	16,012	-	(4,228)	11,784	4,417
Government Capital *	109,573	-	(20,337)	89,236	21,947
Government Capital *	108,107	-	(29,592)	78,515	30,611
Government Capital *	31,792	-	(8,702)	23,090	9,002
Government Capital *	53,294	-	(20,773)	32,521	21,495
Government Capital *	131,278	-	(28,564)	102,714	29,574
Government Capital *	27,853	-	(10,012)	17,841	10,526
Government Capital *	-	250,000	(11,811)	238,189	21,566
Total Bonds, Notes, and Capital Leases Payable	1,828,834	250,000	(386,060)	1,692,774	380,401
Compensated Absences	77,342	15,423	-	92,765	-
<b>Total Governmental Activities</b>	<b>\$ 1,906,176</b>	<b>\$ 265,423</b>	<b>\$ (386,060)</b>	<b>\$ 1,785,539</b>	<b>\$ 380,401</b>

\*Note: Indicates a Capital Lease

CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2017

Note K – Long-Term Liabilities (Continued)

Business-Type Activities	Balance	Additions	Reductions	Balance	Amount Due Within One Year
	10/1/2016			9/30/2017	
<b>Sewer and Electric:</b>					
Certificates of Obligation - WWTP, Series 2012	\$ 980,000	\$ -	\$ (115,000)	\$ 865,000	\$ 115,000
Texas Bank *	342,416	-	(50,217)	292,199	51,917
Government Capital *	22,556	-	(8,099)	14,457	8,525
	<u>1,344,972</u>	<u>-</u>	<u>(173,316)</u>	<u>1,171,656</u>	<u>175,442</u>
<b>Water:</b>					
Certificates of Obligation, Series 2000	3,150,000	-	(210,000)	2,940,000	210,000
Certificates of Obligation, Series 2013	280,000	-	(35,000)	245,000	35,000
General Obligation Refunding Bonds, Series 2012	24,500	-	(4,300)	20,200	3,900
First Financial Bank *	50,364	-	(17,601)	32,763	18,218
Schertz Bank & Trust *	4,368	-	(4,368)	-	-
Texas Bank *	<u>727,633</u>	<u>-</u>	<u>(106,711)</u>	<u>620,922</u>	<u>110,325</u>
	<u>4,236,865</u>	<u>-</u>	<u>(377,980)</u>	<u>3,858,885</u>	<u>377,443</u>
<b>Gas:</b>					
First Financial Bank *	22,047	-	(7,881)	14,166	8,140
Texas Bank *	356,683	-	(52,309)	304,374	54,081
Government Capital *	25,806	-	(5,441)	20,365	5,668
	<u>404,536</u>	<u>-</u>	<u>(65,631)</u>	<u>338,905</u>	<u>67,889</u>
<b>Utility Support:</b>					
Government Capital - Forklift *	<u>11,906</u>	<u>-</u>	<u>(5,368)</u>	<u>6,538</u>	<u>5,368</u>
	<u>11,906</u>	<u>-</u>	<u>(5,368)</u>	<u>6,538</u>	<u>5,368</u>
<b>Solid Waste:</b>					
First Financial Bank *	143,607	-	(17,791)	125,816	18,473
First Financial Bank *	19,297	-	(6,741)	12,556	6,977
Government Capital *	117,129	-	(30,990)	86,139	32,310
Government Capital *	<u>135,767</u>	<u>-</u>	<u>(23,544)</u>	<u>112,223</u>	<u>24,391</u>
	<u>415,800</u>	<u>-</u>	<u>(79,066)</u>	<u>336,734</u>	<u>82,151</u>
Total Bonds, Notes, and Capital Leases Payable	6,414,079	-	(701,361)	5,712,718	708,293
Compensated Absences	33,091	1,536	-	34,627	-
Total Business-Type Activities	<u>\$ 6,447,170</u>	<u>\$ 1,536</u>	<u>\$ (701,361)</u>	<u>\$ 5,747,345</u>	<u>\$ 708,293</u>

\*Note: Indicates a Capital Lease

CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2017

Note K – Long-Term Liabilities (Continued)

	Balance 10/1/2016	Additions	Reductions	Balance 9/30/2017	Amount Due Within One Year
<b>Economic Development Corporation</b>					
Brady National Bank	\$ 89,520	\$ -	\$ (25,724)	\$ 63,796	\$ 27,046
Total Bonds, Notes, and Capital Leases Payable	\$ 89,520	\$ -	\$ (25,724)	\$ 63,796	\$ 27,046

**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, 2017 was \$1,010,000. The balance is allocated between the general fund and water fund, which are \$989,800 and \$20,200 respectively.

Year Ended September 30,	Principal	Interest	Total
2018	\$ 195,000	\$ 26,325	\$ 221,325
2019	195,000	21,938	216,938
2020	200,000	17,063	217,063
2021	210,000	11,813	221,813
2022	210,000	6,038	216,038
	\$ 1,010,000	\$ 83,177	\$ 1,093,177

*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%. The lease matured and was paid in full during fiscal year ended September 30, 2017.

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2017

### Note K – Long-Term Liabilities (Continued)

#### **Description of Debt and Maturity Schedules**

##### *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
2018	\$ 10,000	\$ 455	\$ 10,455
2019	6,088	80	6,168
	<u>\$ 16,088</u>	<u>\$ 535</u>	<u>\$ 16,623</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
2018	\$ 7,038	\$ 723	\$ 7,761
2019	7,298	464	7,762
2020	7,566	196	7,762
2021	1,325	6	1,331
	<u>\$ 23,227</u>	<u>\$ 1,389</u>	<u>\$ 24,616</u>

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2017

### 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 \$9,118, \$32,763, \$14,166, and \$12,556, respectively.

Year Ended September 30,	Principal	Interest	Total
2018	\$ 38,761	\$ 1,521	\$ 40,282
2019	29,842	372	30,214
	<u>\$ 68,603</u>	<u>\$ 1,893</u>	<u>\$ 70,496</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
2018	\$ 8,695	\$ 786	\$ 9,481
2019	9,043	438	9,481
2020	6,760	92	6,852
	<u>\$ 24,498</u>	<u>\$ 1,316</u>	<u>\$ 25,814</u>

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2017

### 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
2018	\$ 9,003	\$ 1,016	\$ 10,019
2019	9,293	726	10,019
2020	9,592	427	10,019
2021	8,265	120	8,385
	<u>\$ 36,153</u>	<u>\$ 2,289</u>	<u>\$ 38,442</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
2018	\$ 4,417	\$ 366	\$ 4,783
2019	4,586	197	4,783
2020	2,781	35	2,816
	<u>\$ 11,784</u>	<u>\$ 598</u>	<u>\$ 12,382</u>

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2017

### 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
2018	\$ 21,947	\$ 2,172	\$ 24,119
2019	22,649	1,470	24,119
2020	44,640	747	45,387
	<u>\$ 89,236</u>	<u>\$ 4,389</u>	<u>\$ 93,625</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
2018	\$ 30,611	\$ 2,190	\$ 32,801
2019	31,665	1,135	32,800
2020	16,239	161	16,400
	<u>\$ 78,515</u>	<u>\$ 3,486</u>	<u>\$ 82,001</u>

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2017

### 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
2018	\$ 9,002	\$ 644	\$ 9,646
2019	9,312	334	9,646
2020	4,776	47	4,823
	<u>\$ 23,090</u>	<u>\$ 1,025</u>	<u>\$ 24,115</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
2018	\$ 21,495	\$ 777	\$ 22,272
2019	11,026	110	11,136
	<u>\$ 32,521</u>	<u>\$ 887</u>	<u>\$ 33,408</u>

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2017

### 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
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>\$ 102,714</u>	<u>\$ 6,225</u>	<u>\$ 108,939</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
2018	\$ 10,526	\$ 655	\$ 11,181
2019	7,315	138	7,453
	<u>\$ 17,841</u>	<u>\$ 793</u>	<u>\$ 18,634</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2017

Note K – Long-Term Liabilities (Continued)

**Description of Debt and Maturity Schedules (Continued)**

*Government Capital*

On December 20, 2016, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a pumper fire engine and related equipment. This lease is due and payable in 120 monthly payments of \$2,497 beginning March 15, 2017. Payments include interest of 3.678%. This lease will be paid in full on February 15, 2027.

Year Ended September 30,	Principal	Interest	Total
2018	\$ 21,566	\$ 8,400	\$ 29,966
2019	22,373	7,893	30,266
2020	23,210	6,756	29,966
2021	24,078	5,888	29,966
2022	24,978	4,987	29,965
2023-2027	121,984	10,362	132,346
	<u>\$ 238,189</u>	<u>\$ 44,286</u>	<u>\$ 282,475</u>

*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, 2017 was \$865,000.

Year Ended September 30,	Principal	Interest	Total
2018	\$ 115,000	\$ 16,097	\$ 131,097
2019	120,000	14,752	134,752
2020	120,000	12,964	132,964
2021	125,000	10,888	135,888
2022	125,000	8,450	133,450
2023 - 2024	260,000	8,814	268,814
	<u>\$ 865,000</u>	<u>\$ 71,965</u>	<u>\$ 936,965</u>

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2017

### 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 \$292,199, \$620,922, and \$304,374, respectively.

Year Ended September 30,	Principal	Interest	Total
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	247,096	7,284	254,380
2023	60,226	526	60,752
	<u>\$ 1,217,495</u>	<u>\$ 115,157</u>	<u>\$ 1,332,652</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
2018	\$ 8,525	\$ 544	\$ 9,069
2019	5,932	115	6,047
	<u>\$ 14,457</u>	<u>\$ 659</u>	<u>\$ 15,116</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2017

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 \$2,940,000.

Year Ended September 30,	Principal	Interest	Total
2018	\$ 210,000	\$ -	\$ 210,000
2019	210,000	-	210,000
2020	210,000	-	210,000
2021	210,000	-	210,000
2022	210,000	-	210,000
2026-2031	1,890,000	-	1,890,000
	\$ 2,940,000	\$ -	\$ 2,940,000

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

On September 30, 2015, the City issued the Combination Tax & Surplus Waterworks System Revenue Certificates of Obligation, Series 2013 in the amount of \$350,000. These bonds were issued by the Texas Water Development Board (TWBD) through the Drinking Water State Revolving Fund to finance the planning for certain water system improvements. Principal amounts on these certificates are due and payable annually on September 1. Interest is due and payable semi-annually on March 1 and September 1 at rates ranging from .020% to 2.860%. These certificates will be paid in full on September 1, 2024. The outstanding principal amount at September 30, 2017 was \$245,000.

Year Ended September 30,	Principal	Interest	Total
2018	\$ 35,000	\$ 5,173	\$ 40,173
2019	35,000	4,813	39,813
2020	35,000	4,288	39,288
2021	35,000	3,626	38,626
2022	35,000	1,943	36,943
2023 - 2024	70,000	3,825	73,825
	\$ 245,000	\$ 23,668	\$ 268,668

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2017

### Note K – Long-Term Liabilities (Continued)

#### **Description of Debt and Maturity Schedules (Continued)**

##### *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%. This lease matured and was paid in full during fiscal year ended September 30, 2017.

##### *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
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>\$ 20,365</u>	<u>\$ 1,496</u>	<u>\$ 21,861</u>

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2017

### Note K – Long-Term Liabilities (Continued)

#### **Description of Debt and Maturity Schedules (Continued)**

##### *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
2018	\$ 5,586	\$ 159	\$ 5,745
2019	952	5	957
	<u>\$ 6,538</u>	<u>\$ 164</u>	<u>\$ 6,702</u>

##### *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
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	21,472	1,424	22,896
2023-2024	26,094	618	26,712
	<u>\$ 125,816</u>	<u>\$ 15,376</u>	<u>\$ 141,192</u>

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2017

### Note K – Long-Term Liabilities (Continued)

#### **Description of Debt and Maturity Schedules (Continued)**

##### *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
2018	\$ 32,310	\$ 2,675	\$ 34,985
2019	33,543	1,442	34,985
2020	20,286	253	20,539
	<u>\$ 86,139</u>	<u>\$ 4,370</u>	<u>\$ 90,509</u>

##### *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
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	9,257	68	9,325
	<u>\$ 112,223</u>	<u>\$ 9,006</u>	<u>\$ 121,229</u>

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2017

### Note K – Long-Term Liabilities (Continued)

#### **Description of Debt and Maturity Schedules (Continued)**

##### *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
2018	\$ 27,046	\$ 2,954	\$ 30,000
2019	36,750	790	37,540
	<u>\$ 63,796</u>	<u>\$ 3,744</u>	<u>\$ 67,540</u>

### 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 \$430,070 as of September 30, 2017, which was based on 24.92% usage (filled) of the landfill. It is estimated that an additional \$1,295,478 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 (\$1,725,548) 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, 2017. 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 2017 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.

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2017

#### 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.

#### Note N – Restricted Net Position

The City reported the following restricted net position at September 30, 2017.

Restricted For:	Governmental Activities	Business-Type Activities	Total
			Governmental Funds
Debt Service	\$ 23,390	\$ 356,687	\$ 380,077
State, Local, and Federally Funded Programs	412,757	1,656,896	2,069,653
Police Activities	16,177	-	16,177
Court Technology and Security	8,950	-	8,950
Total Restricted	\$ 461,274	\$ 2,013,583	\$ 2,474,857

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2017

#### Note O – Fund Balances

The City reported the following fund balance designations at September 30, 2017:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>			
Inventory	\$ 27,136	\$ -	\$ 27,136
Total Nonspendable	27,136	-	27,136
<b>Restricted For:</b>			
Debt Service	23,390	-	23,390
State and Federally Funded Programs	-	412,757	412,757
Police Activities	16,177	-	16,177
Court Technology and Security	8,950	-	8,950
Total Restricted	48,517	412,757	461,274
Unassigned	2,770,338	-	2,770,338
<b>Total Fund Balances</b>	<b>\$ 2,845,991</b>	<b>\$ 412,757</b>	<b>\$ 3,258,748</b>

#### 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.

#### Note Q – Current Year GASB Statement Implementations

In fiscal year 2017, the City implemented the following GASB Statements:

GASB Statement No. 77, Tax Abatement Disclosures, requires disclosure of tax abatement information about a reporting government's tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. Various disclosures are required, and they should be organized by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. Requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The City implemented this Statement in fiscal year 2017. Additional information regarding the City's tax abatements can be found in Note R Tax Abatement Program.

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2017

#### Note R – Tax Abatement Program

GASB Statement No. 77, Tax Abatement Disclosures, defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the government or citizens of those governments.

The City utilizes the following tax abatement programs to provide powerful new resources and incentives to grow the economy in the region, revitalize targeted areas of the City and promote strong, balanced growth throughout the community.

The City has not entered into agreements with other governments that would reduce the reporting government's tax revenues. Other entities are not authorized to enter tax abatement agreements that reduce the City tax revenue without the City's consent.

#### **City Tax Abatement Program**

- *Purpose of program* – Encourages a job creation environment to help attract, retain and expand targeted industries, increase employment and high-wage jobs, expand the tax base, and create longterm capital investment (including foreign direct investment) and new wealth opportunities in the community in accordance with the City's Resolution No. 2016-055.
- *Taxes being abated* – The agreement allows a 75% real property tax abatement for City property tax for year 1, 2, and 3 following issuance of a certificate of occupancy and a 65% real property tax years 4 and 5. Additionally, this agreement will grant a sales tax rebate of \$1,200 per year for the first five years of operation in the year where sales tax paid is at least \$5,000. Any year in which the minimum sales tax requirement is not met will result in a forfeiture of the total rebate for that year.
- *Authority for entering program* – Chapter 380 of the Texas Local Government Code.
- *Eligibility criteria for recipient* – A new company or existing local company must meet or exceed all of the following criteria:
  - 1) minimum levels of jobs
  - 2) minimum amounts of new real and/or personal property capital investment;
  - 3) Shall begin operation of business on or before January 1, 2018, and shall continuously operate, maintain and manage the business for the duration of the term.
  - 4) The business shall purchase all electricity for the business from the City for a period of ten years starting on the date the business receives its certificate of occupancy.

## CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2017

### Note R – Tax Abatement Program (continued)

#### **City Tax Abatement Program (Continued)**

- *Mechanism used to abate taxes* – For real property, through a reduction of the property's assessed value or as a credit to the amount of taxes owed. For sales taxes, through the reduction of sales taxes collected by the business.
- *How the dollar amount of the abatement was determined* – The amount and term of the tax abatement offered is dependent upon the location and industry of the project, other public incentives offered for the same project and the overall benefit to the City and community.
- *Recapture Provisions* – Violations for employment of undocumented workers, failure to meet investment requirements, failure to meet and maintain the minimum number of employees, failure to pay property taxes if owed or for refunding agreements, failure to complete project in the agreed upon deadline, events of relocation or cessation of business activities within the term of the agreement, or failure to meet other specified terms of the agreement.
- *Types of commitments made by recipient* – Varies by agreement, including investment in real and personal property, creating a minimum number of jobs, and commitment to maintain business activities for a set amount of time.
- Other commitments to the recipient – No other commitments are made with this program.



**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, 2017

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)		
<b>REVENUES</b>					
Property Tax	\$ 805,000	\$ 845,000	\$ 846,919	\$ 846,919	1,919
Sales Tax	960,000	910,000	944,642	944,642	34,642
Franchise Taxes	35,000	31,000	30,947	30,947	(53)
Mixed Beverage Tax	800	6,000	6,515	6,515	515
Interest Income	68,620	98,620	126,175	126,175	27,555
Miscellaneous Revenue	-	-	1,807	1,807	1,807
Reimbursed Expenses	2,500	28,500	57,316	57,316	28,816
Administrative Services	37,600	41,600	43,809	43,809	2,209
Airport Revenue	246,650	519,450	514,445	514,445	(5,005)
Public Property Maintenance	37,000	37,000	45,733	45,733	8,733
Golf Course	85,500	85,500	90,138	90,138	4,638
Swimming Pool	22,500	22,500	19,310	19,310	(3,190)
Fire Department	37,500	37,500	30,270	30,270	(7,230)
Police Department	1,700	23,196	22,888	22,888	(308)
Emergency Op Center	67,700	67,700	67,700	67,700	-
Community Services Administration	82,100	82,100	82,100	82,100	-
Street Department	-	-	6,963	6,963	6,963
Civic Center	72,700	67,000	77,433	77,433	10,433
Municipal Court	50,200	72,200	87,183	87,183	14,983
Animal Control	200	200	453	453	253
City/County EMS	576,600	566,600	586,155	586,155	19,555
Lake Department	122,350	125,350	160,508	160,508	35,158
Financial Administration	6,615	6,615	6,615	6,615	-
Building & Permitting	20,500	35,000	36,902	36,902	1,902
Donations	110,000	37,608	75,664	75,664	38,056
Grant Revenue	15,000	66,247	61,613	61,613	(4,634)
<b>Total Revenues</b>	<b>\$ 3,464,335</b>	<b>\$ 3,812,486</b>	<b>\$ 4,030,203</b>	<b>\$ 4,030,203</b>	<b>\$ 217,717</b>

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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Administration	\$ 627,752	\$ 626,753	\$ 585,352	\$ 41,401
Airport	310,768	599,628	536,672	62,956
Public Property Maintenance	375,188	367,788	344,888	22,900
Mayor and Council	82,870	82,870	69,214	13,656
Golf Course	288,455	288,455	272,350	16,105
Swimming Pool	102,682	102,682	90,193	12,489
Fire Department	336,340	324,140	286,744	37,396
Police Department	946,264	947,117	818,508	128,609
Emergency Op Center	20,285	20,285	18,932	1,353
Communications	292,828	328,471	277,634	50,837
Community Services Administration	171,860	172,200	158,370	13,830
Street Department	595,821	595,821	543,610	52,211
Civic Center	29,200	52,900	48,588	4,312
Municipal Court	69,487	80,887	70,262	10,625
Special Services	15,750	15,750	15,743	7
Repair Shop	63,167	63,167	60,216	2,951
Animal Control	107,845	107,845	70,618	37,227
City/County EMS	1,261,235	1,255,335	1,221,195	34,140
Lake Department	190,466	190,466	172,635	17,831
GR. White Complex	26,000	26,000	14,495	11,505
Purchasing	61,296	61,296	60,756	540
Financial Administration	282,028	282,028	277,006	5,022
Building & Permitting	177,863	179,138	153,404	25,734
Capital Outlay	461,500	1,266,261	860,150	406,111
Debit Service				
Principal	391,736	389,126	386,060	3,066
Interest	53,961	55,171	55,310	(139)
Total Expenditures	<u>7,342,647</u>	<u>8,481,580</u>	<u>7,468,905</u>	<u>1,012,675</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(3,878,312)	(4,669,094)	(3,438,702)	1,230,392
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	3,593,286	3,593,286	3,038,058	(555,228)
Donated Assets	-	-	100	100
Lease Proceeds	250,000	250,000	250,000	-
Transfers Out	-	-	(11,000)	(11,000)
Total Other Financing Sources (Uses)	<u>3,843,286</u>	<u>3,843,286</u>	<u>3,277,158</u>	<u>(566,128)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(35,026)	(825,808)	(161,544)	664,264
Fund Balance - Beginning, GAAP Basis	<u>3,007,535</u>	<u>3,007,535</u>	<u>3,007,535</u>	<u>-</u>
Fund Balance - Ending, GAAP and Budgetary Basis	\$ <u>2,972,509</u>	\$ <u>2,181,727</u>	\$ <u>2,845,991</u>	\$ <u>664,264</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, 2017

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)		
<b>REVENUES</b>					
Sales Taxes	\$ 240,000	\$ 220,000	\$ 230,211	\$ 10,211	
Hotel Occupancy Taxes	215,000	215,000	291,038	76,038	
Senior Citizen Revenues	25,000	25,000	25,828	828	
Airport Revenue	350,000	150,000	-	(150,000)	
Cemetery Maintenance	43,000	46,000	47,519	1,519	
Pass-Through Services Revenue	3,000	3,000	4,396	1,396	
Reimbursed Expenses	-	-	14	14	
Community Development	262,500	220,500	163,363	(57,137)	
Grant Revenues	223,900	69,400	75,020	5,620	
<b>Total Revenues</b>	<b>1,362,400</b>	<b>948,900</b>	<b>837,389</b>	<b>(111,511)</b>	
<b>EXPENDITURES</b>					
Pass-Through Services	458,000	438,000	454,393	(16,393)	
Senior Citizens Program	233,309	233,309	215,857	17,452	
Community Development	158,900	-	-	-	
Cemetery Maintenance	56,000	56,000	6,800	49,200	
Capital Outlay	885,000	597,350	323,153	274,197	
<b>Total Expenditures</b>	<b>1,791,209</b>	<b>1,324,659</b>	<b>1,000,203</b>	<b>324,456</b>	
Excess (Deficiency) of Revenues Over Expenditures	(428,809)	(375,759)	(162,814)	212,945	
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	243,309	162,659	173,659	11,000	
<b>Total Other Financing Sources and Uses</b>	<b>243,309</b>	<b>162,659</b>	<b>173,659</b>	<b>11,000</b>	
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(185,500)	(213,100)	10,845	223,945	
Fund Balance - Beginning, GAAP Basis	401,912	401,912	401,912	-	
Fund Balance - Ending, GAAP and Budgetary Basis	\$ 216,412	\$ 188,812	\$ 412,757	\$ 223,945	

## CITY OF BRADY, TEXAS

### Required Supplemental Information Notes to the Budgetary Comparison Schedules For the Year Ended September 30, 2017

#### **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, 2017.

CITY OF BRADY, TEXAS

Required Supplemental Information

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

	2016	2015	2014
<b>Total Pension Liability</b>			
Service Cost	\$ 521,298	\$ 464,500	\$ 407,549
Interest (on the Total Pension Liability)	588,735	577,768	540,559
Changes in benefit terms	-	-	-
Difference between expected and actual experience	15,972	(375,588)	(123,488)
Change of assumptions	-	123,568	-
Benefit payments, including refunds of employee contributions	(347,221)	(353,720)	(289,341)
<b>Net Change in Total Pension Liability</b>	<b>778,784</b>	<b>436,528</b>	<b>535,279</b>
<b>Total Pension Liability - Beginning</b>	<b>8,634,968</b>	<b>8,198,440</b>	<b>7,663,161</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 9,413,752</b>	<b>\$ 8,634,968</b>	<b>\$ 8,198,440</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 365,382	\$ 370,043	\$ 351,829
Contributions - Employee	218,574	212,262	194,223
Net Investment Income	482,335	10,197	360,294
Benefit payments, including refunds of employee contributions	(347,221)	(353,720)	(289,341)
Administrative Expense	(5,451)	(6,211)	(3,761)
Other	(294)	(308)	(309)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>713,325</b>	<b>232,263</b>	<b>612,935</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>7,142,345</b>	<b>6,910,082</b>	<b>6,297,147</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 7,855,670</b>	<b>\$ 7,142,345</b>	<b>\$ 6,910,082</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 1,558,082</b>	<b>\$ 1,492,623</b>	<b>\$ 1,288,358</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>83.45%</b>	<b>82.71%</b>	<b>84.29%</b>
<b>Covered Employee Payroll</b>	<b>\$ 3,642,893</b>	<b>\$ 3,537,699</b>	<b>\$ 3,178,565</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>42.77%</b>	<b>42.19%</b>	<b>40.53%</b>

\*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, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Electrical Distribution	\$ 7,848,490	\$ 7,736,410	\$ 7,386,428	\$ (349,982)
Wastewater	931,000	913,800	954,720	40,920
Grant Revenue	-	-	8,966	8,966
Interest Income	500	500	1,167	667
Reimbursed Expenses	-	96,800	69,530	(27,270)
<b>Total Revenues</b>	<b>8,779,990</b>	<b>8,747,510</b>	<b>8,420,811</b>	<b>(326,699)</b>
<b>EXPENDITURES</b>				
Power Plant	38,000	91,888	21,109	70,779
Electrical Distribution	4,604,821	4,663,176	4,184,664	478,512
Wastewater	399,062	829,662	750,560	79,102
Bad Debt Expense	29,000	29,000	22,750	6,250
Capital Outlay	2,141,478	1,089,140	904,146	184,994
Debt Service				
Principal Payments	173,316	173,316	173,317	(1)
Interest Payments	28,911	28,911	27,341	1,570
<b>Total Expenditures</b>	<b>7,414,588</b>	<b>6,905,093</b>	<b>6,083,887</b>	<b>821,206</b>
Excess Revenues Over (Under) Expenditures	1,365,402	1,842,417	2,336,924	494,507
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	1,500	1,500	500	(1,000)
Transfers Out	(3,237,552)	(3,237,552)	(2,700,000)	537,552
<b>Total Other Financing Sources (Uses)</b>	<b>(3,236,052)</b>	<b>(3,236,052)</b>	<b>(2,699,500)</b>	<b>536,552</b>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,870,650)	(1,393,635)	(362,576)	1,031,059
Net Position - Beginning, GAAP Basis	8,887,474	8,887,474	8,887,474	-
Net Position - Ending, Budgetary Basis	\$ 7,016,824	\$ 7,493,839	\$ 8,524,898	\$ 1,031,059
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(152,369)	
Principal Payments - The City budgets for principal debt payments			173,317	
Capital Outlay - The City budgets for capital outlay			904,146	
Net Position- Ending, GAAP Basis	\$	<u><u>9,449,992</u></u>		

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual  
 Water Fund  
 For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>REVENUES</b>				
Water Department	\$ 2,028,000	\$ 1,957,640	\$ 1,938,673	\$ (18,967)
Interest Revenue	2,500	2,500	3,515	1,015
Grant Revenue	87,950	87,950	2,950	(85,000)
Reimbursed Expenses	-	-	34,181	34,181
<b>Total Revenues</b>	<b>2,118,450</b>	<b>2,048,090</b>	<b>1,979,319</b>	<b>(68,771)</b>
<b>EXPENDITURES</b>				
Water Department	993,078	1,142,568	991,481	151,087
Bad Debt Expense	5,000	5,000	5,000	-
Capital Outlay	1,231,474	1,259,114	831,930	427,184
Debt Service				
Principal Payments	378,220	378,220	377,980	240
Interest Payments	30,400	30,400	29,332	1,068
<b>Total Expenditures</b>	<b>2,638,172</b>	<b>2,815,302</b>	<b>2,235,723</b>	<b>579,579</b>
Excess Revenues Over (Under) Expenditures	(519,722)	(767,212)	(256,404)	510,808
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(408,000)	(268,000)	(221,258)	46,742
<b>Total Other Financing Sources (Uses)</b>	<b>(408,000)</b>	<b>(268,000)</b>	<b>(221,258)</b>	<b>46,742</b>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(927,722)	(1,035,212)	(477,662)	557,550
Net Position - Beginning, GAAP Basis	13,424,593	13,424,593	13,424,593	-
Net Position - Ending, Budgetary Basis	\$ 12,496,871	\$ 12,389,381	\$ 12,946,931	\$ 557,550
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(497,550)	
Principal Payments - The City budgets for principal debt payments			377,980	
Capital Outlay - The City budgets for capital outlay			831,930	
Net Position - Ending, GAAP Basis	\$		<u>13,659,291</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual  
 Gas Fund  
 For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
<b>REVENUES</b>				
Gas Distribution	\$ 1,169,950	\$ 1,154,950	\$ 1,153,247	\$ (1,703)
Grant Revenue	17,830	-	-	-
Reimbursed Expenses	-	-	1,084	1,084
Total Revenues	<u>1,187,780</u>	<u>1,154,950</u>	<u>1,154,331</u>	<u>(619)</u>
<b>EXPENDITURES</b>				
Gas Department	733,339	750,181	737,466	12,715
Bad Debt Expense	5,000	5,000	1,800	3,200
Capital Outlay	227,290	272,618	99,344	173,274
Debt Service				
Principal Payments	65,560	65,560	65,632	(72)
Interest Payments	12,795	12,795	12,425	370
Total Expenditures	<u>1,043,984</u>	<u>1,106,154</u>	<u>916,667</u>	<u>189,487</u>
Excess Revenues Over (Under) Expenditures	143,796	48,796	237,664	188,868
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(456,485)	(515,835)	(492,259)	23,576
Total Other Financing Sources (Uses)	<u>(456,485)</u>	<u>(515,835)</u>	<u>(492,259)</u>	<u>23,576</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(312,689)	(467,039)	(254,595)	212,444
Net Position - Beginning, GAAP Basis	<u>2,360,578</u>	<u>2,360,578</u>	<u>2,360,578</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>2,047,889</u>	\$ <u>1,893,539</u>	\$ <u>2,105,983</u>	\$ <u>212,444</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(114,373)	
Principal Payments - The City budgets for principal debt payments			65,632	
Capital Outlay - The City budgets for capital outlay			99,344	
Net Position - Ending, GAAP Basis			\$ <u>2,156,586</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual  
 Solid Waste Fund  
 For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Solid Waste	\$ 1,001,500	\$ 995,500	\$ 1,016,797	\$ 21,297
Street Sanitation	74,000	74,000	74,978	978
Interest Revenue	2,000	2,000	4,143	2,143
Reimbursed Expenses	-	-	366	366
<b>Total Revenues</b>	<b>1,077,500</b>	<b>1,071,500</b>	<b>1,096,284</b>	<b>24,784</b>
<b>EXPENDITURES</b>				
Solid Waste	921,999	941,174	852,982	88,192
Street Sanitation	41,664	41,664	33,527	8,137
Bad Debt Expense	5,000	5,000	3,730	1,270
Debt Service				
Principal Payments	79,270	79,270	79,064	206
Interest Payments	13,925	13,925	13,866	59
<b>Total Expenditures</b>	<b>1,061,858</b>	<b>1,081,033</b>	<b>983,169</b>	<b>97,864</b>
Excess Revenues Over (Under) Expenditures	15,642	(9,533)	113,115	122,648
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain (Loss) on the Sale of Capital Assets	-	28,300	28,625	325
Transfers Out	(12,200)	(12,200)	(12,200)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(12,200)</b>	<b>16,100</b>	<b>16,425</b>	<b>325</b>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,442	6,567	129,540	122,973
<b>Net Position - Beginning, GAAP Basis</b>	<b>598,102</b>	<b>598,102</b>	<b>598,102</b>	<b>-</b>
<b>Net Position - Ending, Budgetary Basis</b>	<b>\$ 601,544</b>	<b>\$ 604,669</b>	<b>\$ 727,642</b>	<b>\$ 122,973</b>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(107,731)	
Principal Payments- The City budgets for principal debt payments			79,064	
<b>Net Position - Ending, GAAP Basis</b>			<b>\$ 698,975</b>	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>REVENUES</b>				
Utility Support	\$ 214,800	\$ 214,800	\$ 229,794	\$ 14,994
Interest Revenue	3,000	3,000	480	(2,520)
Miscellaneous Revenue	-	-	45	45
Reimbursed Expenses	-	-	1,448	1,448
Total Revenues	<u>217,800</u>	<u>217,800</u>	<u>231,767</u>	<u>13,967</u>
<b>EXPENDITURES</b>				
Administration	149,450	150,950	136,622	14,328
Meter Shop	65,294	61,794	59,870	1,924
Billing-Collection	239,048	240,048	220,856	19,192
Bad Debt Expense	5,000	3,500	2,620	880
Capital Outlay	29,000	118,500	118,489	11
Debt Service				
Principal Payments	5,370	5,370	5,368	2
Interest Payments	380	380	367	13
Total Expenditures	<u>493,542</u>	<u>580,542</u>	<u>544,192</u>	<u>36,350</u>
Excess of Revenues Over (Under) Expenditures	(275,742)	(362,742)	(312,425)	50,317
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	277,642	277,642	225,000	(52,642)
Gain (Loss) on the Sale of Capital Assets	4,000	4,000	4,000	-
Total Other Financing Sources (Uses)	<u>281,642</u>	<u>281,642</u>	<u>229,000</u>	<u>(52,642)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	5,900	(81,100)	(83,425)	(2,325)
Net Position - Beginning, GAAP Basis	<u>2,570,788</u>	<u>2,570,788</u>	<u>2,570,788</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>2,576,688</u>	\$ <u>2,489,688</u>	\$ <u>2,487,363</u>	\$ <u>(2,325)</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(104,119)	
Principal Payments - The City budgets for principal debt payments			5,368	
Capital Outlay - The City budgets for capital outlay.			118,489	
Net Position - Ending, GAAP Basis	\$ <u>2,507,101</u>			

## CITY OF BRADY, TEXAS

Notes to the Budgetary Comparison Schedules  
Proprietary Funds  
For the Year Ended September 30, 2017

### **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, 2017.

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, 2017

	Budgeted Amounts		Actual Amounts
	Original	Final	(Budgetary Basis)
<b>REVENUES</b>			
General Revenues			
Sales Tax Collections	\$ 240,000	\$ 220,000	\$ 227,234
Interest Income	3,000	3,000	5,024
Loan Income	10,660	10,660	8,596
Reimbursed Expenses	-	-	15
Charges for Services			
Rent Income	9,261	9,261	11,427
Total Revenues	<u>262,921</u>	<u>242,921</u>	<u>252,296</u>
<b>EXPENDITURES</b>			
Current			
Marketing	24,000	22,165	22,165
Professional/Legal Fees	1,000	6,350	5,606
Contract for Services	88,715	88,715	88,715
Community Development	68,200	79,931	70,775
Annual Land Lease	250	250	250
Travel and Training	8,000	7,560	7,364
Membership Dues and Fees	1,000	850	850
Insurance	100	100	-
Office Supplies	-	50	40
Office Equipment	-	300	216
Meeting Provisions	250	475	472
Property Taxes	3,500	-	-
Building Repairs & Maintenance	3,000	-	-
Debt Service			
Principal Payments	30,000	30,000	25,724
Interest Payments	-	-	3,526
Total Expenditures	<u>228,015</u>	<u>236,746</u>	<u>225,703</u>
Excess of Revenues Over (Under) Expenditures	34,906	6,175	26,593
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	34,906	6,175	26,593
Net Position - Beginning, GAAP Basis	<u>760,480</u>	<u>760,480</u>	<u>760,480</u>
Net Position - Ending, Budgetary Basis	\$ <u>795,386</u>	\$ <u>766,655</u>	\$ <u>787,073</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			(8,596)
Interest Income - The EDC normally budgets for interest income related to notes receivable			630
Loan Proceeds - The EDC normally budgets for loan proceeds			25,724
Net Position - Ending, GAAP Basis	\$	<u>784,360</u>	

## CITY OF BRADY, TEXAS

Notes to the Budgetary Comparison Schedules  
Economic Development Corporation  
For the Year Ended September 30, 2017

### **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, 2017.

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, 2017.

**CITY OF BRADY, TEXAS**

**Single Audit Compliance Information**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended September 30, 2017**

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>	<b>State Expenditures</b>
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	\$ 34,474	\$ -
Nutrition Services Incentive Program	93.053	N/A	36,068	-
Total U.S. Department of Health and Human Services			<u>70,542</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	78,938	-
Total U.S. Department of Interior Fish & Wildlife Service			<u>78,938</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	25,012	-
Capitalization Grants For Clean Water State Revolving Funds - Grant	66.458	GT #LF1000019	677,404	-
Capitalization Grants For Drinking Water State Revolving Funds - Grant	66.568	GT #G1000424	393,915	-
Total U.S. Environmental Protection Agency			<u>1,096,331</u>	<u>-</u>
Total Federal Awards Expended			<u>1,245,811</u>	<u>-</u>
<b>State Grantor/Program or Grant Title</b>				
Texas Department of Transportation				
Boat Ramp Grant	N/A	42M162BRADY	-	30,366
Total Texas Department of Transportation			<u>-</u>	<u>30,366</u>
Texas Parks and Wildlife Department				
BRADY Richards Park III	N/A	50-000464	-	20,455
BRADY Willie Washington Park	N/A	54-000159		71,469
Total Texas Parks and Wildlife Department			<u>-</u>	<u>91,924</u>
Texas Department of Agriculture				
Home-Delivered Meal Grant Program	N/A	HDM-17-2067	-	4,478
Total Texas Department of Agriculture			<u>-</u>	<u>4,478</u>
Total State Awards Expended			<u>-</u>	<u>126,768</u>
Total Federal and State Awards Expended			\$ <u>1,245,811</u>	\$ <u>126,768</u>

## CITY OF BRADY, TEXAS

### Single Audit Compliance Information Notes to the Schedule of Expenditures of Federal and State Awards For the Year Ended September 30, 2017

#### 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, 2017. 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, 2017. 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	\$ 245,000
Capitalization Grants for Clean Water State Revolving Funds	66.458	#L1000011	\$ 865,000

## CITY OF BRADY, TEXAS

Single Audit Compliance Information  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2017

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

<b>Financial Statements</b>	
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
<b>Federal Awards</b>	
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 Clean Water State Revolving Funds, CFDA No. 66.458
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, 2017

No prior year findings.



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Darendra Klenzman  
Certified Public Accountant

John Boekweg  
Certified Public Accountant

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brady, Texas (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Brady, Texas basic financial statements, and have issued our report thereon dated April 12, 2018.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Brady, Texas 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.



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)*

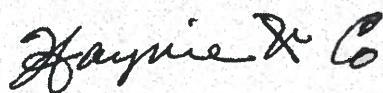
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Brady, Texas 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.

A handwritten signature in black ink that reads "Haynie & Co". The signature is cursive and fluid, with "Haynie" on the top line and "& Co" on the bottom line.

San Antonio, Texas  
April 12, 2018





**Haynie &  
Company**

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Certified Public Accountant

## 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, 2017. 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.





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

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.

***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, 2017.

**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.



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

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.

*Haysie & Co*

San Antonio, Texas  
April 12, 2018