

CITY OF BRADY, TEXAS

Annual Financial Report

September 30, 2018

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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
Missi Davis Council Member
Jeffrey Sutton Council Member
Kim Lenoir..... City Manager
Lisa Remini.....Director of Finance

FINANCIAL SECTION



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

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, 2018, 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.

Independent Auditor's Report (Continued)

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2018, 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.

Emphasis of a Matter

As described in Note 17, management determined that accumulated depreciation and transfer of assets between funds was not appropriately stated. Accordingly, fund balance has been restated as of October 1, 2017 in order for the financial statements to conform to 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 80-84, 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.

Independent Auditor's Report (Continued)

Other Information

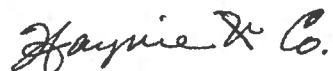
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The proprietary fund and Economic Development Corporation budgetary comparison information is presented for purposes of additional analysis and are 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.

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, 2019, 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



San Antonio, Texas
April 12, 2019

CITY OF BRADY, TEXAS

Management Discussion and Analysis

September 30, 2018

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, 2018. 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, 2018 by \$ 39,741,029 . Of this amount \$ 10,525,713 or 26.5% 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 \$ 856,207 during the year.
- ❑ The total cost of all the City's programs was \$ 17,530,064 , representing a slight increase from last year by \$ 660,911 or 3.8%.
- ❑ During the year, the City had operating expenses of \$ 8,593,789 for governmental activities, which was \$ 3,542,905 more than the \$ 5,050,884 generated in program and general revenues. Once budgeted transfers from business-type activities of \$ 4,020,902 are recognized, governmental net position reflects an increase of 4.4% in the amount of \$477,997 .
- ❑ The City's business-type activities, after transfers to the general fund, reflect an increase in business-type net assets by \$ 1,042,519 .
- ❑ The City reduced its total long-term debt obligations by \$ 1,024,320 or 13.83%.
- ❑ During the year, the EDC's net position increased by \$ 65,285 from \$ 784,360 to \$ 849,645 .

CITY OF BRADY, TEXAS

Management Discussion and Analysis

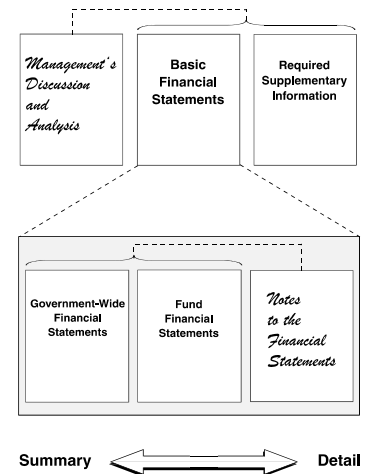
September 30, 2018

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 20 through 22 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.

CITY OF BRADY, TEXAS

Management Discussion and Analysis

September 30, 2018

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 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 Electric, Water & Sewer, 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 2017, as its net position increased by \$ 856,207 or 2.2%. 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.

CITY OF BRADY, TEXAS
Management Discussion and Analysis
September 30, 2018

Statement of Net Position (continued)

Approximately 7% of the City's governmental activities net position is subject to restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 2,047,172 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 \$ 39,741,029 as of September 30, 2018. The City's total unrestricted net position of \$ 10,525,713 , the amount that can be used to finance day-to-day operations, increased by 6.9% compared to last year's balance.

CITY OF BRADY, TEXAS

Management Discussion and Analysis

September 30, 2018

The following reflects a comparative condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2018	2017	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 3,353,687	\$ 3,204,147	\$ 9,559,379	\$ 9,220,409	\$ 12,913,066	\$ 12,424,556	\$ 551,584	\$ 540,163
Capital and Other Long-term Assets	10,225,485	10,031,178	26,524,789	27,332,647	36,750,274	37,363,825	337,126	366,004
Total Assets	<u>13,579,172</u>	<u>13,235,325</u>	<u>36,084,168</u>	<u>36,553,056</u>	<u>49,663,340</u>	<u>49,788,381</u>	<u>888,710</u>	<u>906,167</u>
Deferred Outflows								
Deferred Pension Related Outflows	-	320,753	-	140,443	-	461,196	-	-
Total Deferred Outflows	<u>-</u>	<u>320,753</u>	<u>-</u>	<u>140,443</u>	<u>-</u>	<u>461,196</u>	<u>-</u>	<u>-</u>
Current Liabilities	565,563	547,665	1,346,734	1,540,205	1,912,297	2,087,870	39,065	83,853
Non-Current Liabilities	1,630,439	2,509,372	5,746,269	6,643,618	7,376,708	9,152,990	-	37,954
Total Liabilities	<u>2,196,002</u>	<u>3,057,037</u>	<u>7,093,003</u>	<u>8,183,823</u>	<u>9,289,005</u>	<u>11,240,860</u>	<u>39,065</u>	<u>121,807</u>
Deferred Inflows								
Deferred Pension Related Inflows	446,625	86,164	186,681	37,731	633,306	123,895	-	-
Total Deferred Inflows	<u>446,625</u>	<u>86,164</u>	<u>186,681</u>	<u>37,731</u>	<u>633,306</u>	<u>123,895</u>	<u>-</u>	<u>-</u>
Net Position:								
Invested in Capital Assets, Net of Related Debt	8,154,601	8,084,779	19,293,414	18,476,230	27,448,015	26,561,009	253,747	249,385
Restricted	734,772	461,274	1,032,529	2,013,583	1,767,301	2,474,857	-	-
Unrestricted	2,047,172	1,866,824	8,478,541	7,982,132	10,525,713	9,848,956	595,898	534,975
TOTAL NET POSITION	<u>\$ 10,936,545</u>	<u>\$ 10,412,877</u>	<u>\$ 28,804,484</u>	<u>\$ 28,471,945</u>	<u>\$ 39,741,029</u>	<u>\$ 38,884,822</u>	<u>\$ 849,645</u>	<u>\$ 784,360</u>

CITY OF BRADY, TEXAS

Management Discussion and Analysis

September 30, 2018

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	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues								
Program Revenues:								
Charges for Services	\$ 1,971,303	\$ 1,909,351	\$ 13,859,375	\$ 12,861,246	\$ 15,830,678	\$ 14,770,597	\$ 10,521	\$ 11,427
Grants and Contributions	291,801	432,468	-	11,916	291,801	444,384	-	-
General Revenues:								
Property Taxes	1,005,391	896,760	-	-	1,005,391	896,760	-	-
Sales Taxes	1,247,940	1,174,853	-	-	1,247,940	1,174,853	264,653	227,234
Other Taxes	285,728	328,500	-	-	285,728	328,500	-	-
Investment Earnings	247,572	126,175	32,143	9,305	279,715	135,480	17,052	5,654
Other Revenue	1,014	1,807	-	45	1,014	1,852	15	15
Gain(Loss) on Disposal of Assets	-	-	35,100	33,125	35,100	33,125	-	-
Donated Assets	135	100	-	-	135	100	-	-
TOTAL REVENUES	5,050,884	4,870,014	13,926,618	12,915,637	18,977,502	17,785,651	292,241	244,330
Expenses								
Utility Enterprises	-	-	8,936,275	9,084,510	8,936,275	9,084,510	-	-
General Government	1,362,924	1,246,119	-	-	1,362,924	1,246,119	-	-
Public Safety	3,521,799	3,106,227	-	-	3,521,799	3,106,227	-	-
Streets	827,814	794,779	-	-	827,814	794,779	-	-
Recreation and Leisure	1,977,545	1,902,842	-	-	1,977,545	1,902,842	-	-
Community Development	866,368	694,303	-	-	866,368	694,303	-	-
Interest and Amortization	37,339	40,373	-	-	37,339	40,373	-	-
Component Unit	-	-	-	-	-	-	215,991	220,450
TOTAL EXPENSES	8,593,789	7,784,643	8,936,275	9,084,510	17,530,064	16,869,153	215,991	220,450
Excess (Deficiency) before Transfers	(3,542,905)	(2,914,629)	4,990,343	3,831,127	1,447,438	916,498	76,250	23,880
Transfers	4,020,902	3,200,717	(3,947,824)	(3,200,717)	73,078	-	(73,078)	-
Increase (Decrease) in Net Position	477,997	286,088	1,042,519	630,410	1,520,516	916,498	3,172	23,880
Net Position - Beginning	10,412,877	10,126,789	28,471,945	27,841,535	38,884,822	37,968,324	784,360	760,480
Prior Period Adjustments	45,671	-	(709,980)	-	(664,309)	-	62,113	-
Net Position - Beginning as Restated	10,458,548	10,126,789	27,761,965	27,841,535	38,220,513	37,968,324	846,473	760,480
Net Position - Ending	<u>\$ 10,936,545</u>	<u>\$ 10,412,877</u>	<u>\$ 28,804,484</u>	<u>\$ 28,471,945</u>	<u>\$ 39,741,029</u>	<u>\$ 38,884,822</u>	<u>\$ 849,645</u>	<u>\$ 784,360</u>

CITY OF BRADY, TEXAS

Management Discussion and Analysis

September 30, 2018

Total Primary Government Activities

Overall, total primary government revenues for fiscal year 2018 were more than fiscal year 2017 by \$ 1,191,851 or 6.7%. Charges for services, property and sales collections all experience increases. Interest earnings doubled from last year as interest rates rise.

Overall, total primary government expenditures increased by \$ 660,911 or 3.9%; primarily as the result of Public Safety activities which increased by \$415,572 to accommodate market adjustments for employees, enhanced vehicle repairs, and increased contributions to the Brady Volunteer Fire Department.

Governmental Activities

The result of fiscal year 2018 governmental activity records an increase in net position of \$ 477,997 , after a \$ 3,947,824 transfer from proprietary funds, in net position, to \$ 10,936,545 . Of the total governmental activities' net position, \$ 8,154,601 is invested in capital assets, net of related debt, and \$ 2,047,172 is unrestricted, that is, having no legal commitment.

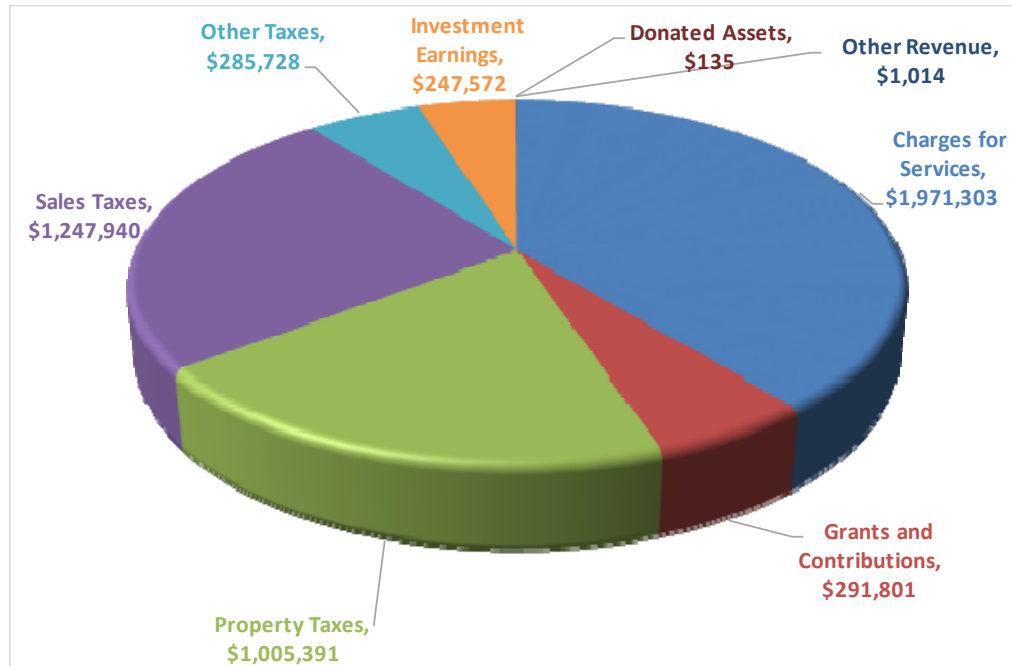
Governmental activities reflect a 3.1% increase or \$180,870 in total revenues. The majority of the increase came from interest earnings, which recorded \$121,397 more than compared to last year.

CITY OF BRADY, TEXAS

Management Discussion and Analysis

September 30, 2018

Revenues – Governmental Activities Fiscal Year Ending September 30, 2018



For fiscal year 2018, 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 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 \$ 378,310 or 19% of the \$ 1,971,303 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 \$ 710,633 or 36% of the total dollars charged for services this year. The lake department generated rental fees and donations in the amount of \$ 188,952 or 10% 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 65% of total service charge revenues.

The City received \$ 1,247,940 in sales tax revenues, which is a 6% increase from last year's total collections. Included in other taxes are hotel occupancy tax collections of \$ 257,727 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.

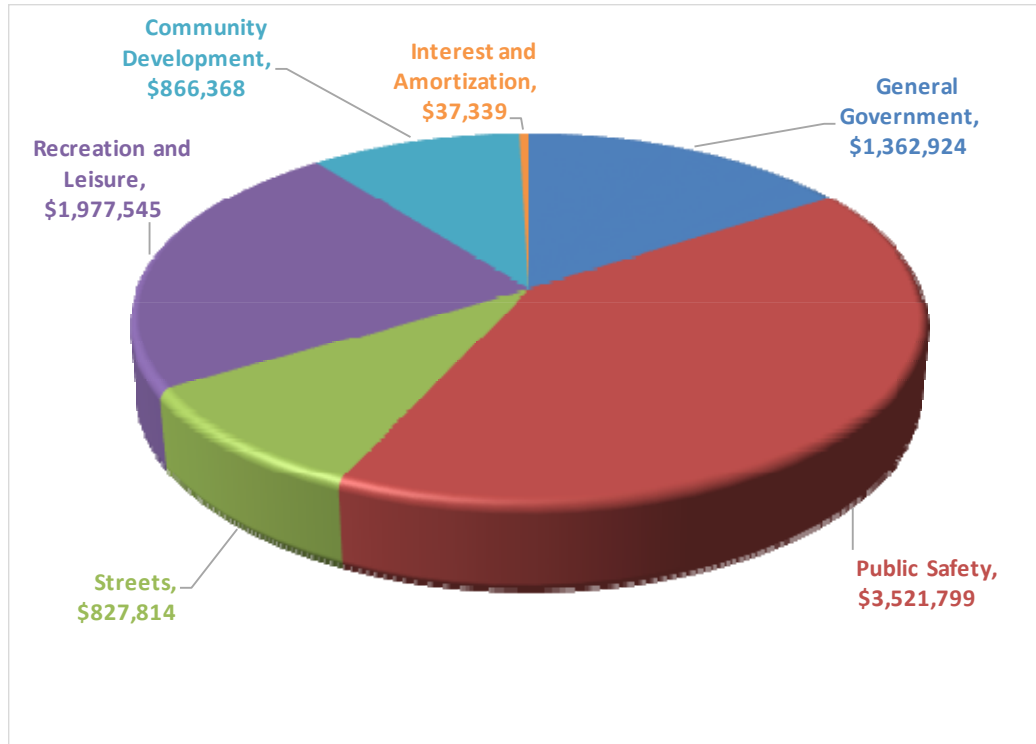
The City maintains a property tax rate at \$0.409609 per \$100 of 2017 values; and collected \$ 1,005,391 in property tax revenue. Two cents (\$0.02), or \$ 48,628 , of the tax rate is dedicated to cemetery maintenance.

CITY OF BRADY, TEXAS

Management Discussion and Analysis

September 30, 2018

Expenses – Governmental Activities Fiscal Year Ending September 30, 2018



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, \$ 3,521,799 and \$ 1,977,545 , respectively, of the \$ 8,593,789 in total costs for all governmental programs. The fire, EMS, police, animal control, municipal court, and building and inspection divisions are included in the public safety category. The airport, parks, golf course, swimming pool, civic center, lake, and G. Rollie White complex are included in the recreation and leisure category.

The remaining 36% of expenditures is closely divided among general and administrative costs totaling \$ 1,362,924 , community development totaling \$ 866,368 , street maintenance totaling \$ 827,814 , and interest and amortization totaling \$ 37,339 .

CITY OF BRADY, TEXAS
Management Discussion and Analysis
September 30, 2018

Business-Type Activities

The business-type activities increased the City's net position by \$ 1,042,519 .

Of the total business-type activities' net position, \$ 19,293,414 is invested in capital assets, net of related debt, and \$ 8,478,541 is unrestricted, that is, having no legal commitment. In addition, it maintains a restricted fund balance of \$ 1,144,772 .

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 remains relatively similar compared to last fiscal year reflecting a slight decrease by 1.66% to \$ 8,936,275 . As shown in the statement of activities, the amounts charged to users of the utility services totaled \$ 13,859,375 and are 7% or \$998,129 more than last fiscal year. Factors that contributed to the additional revenues were approved rate increases in the water, sewer, and solid waste services, and additional unit sales in electric, gas and water resulting primarily from weather conditions. Additional revenue sources included investment earnings of \$ 32,143 and Grants and Contributions totaling \$ - . In total, excess revenues over expenditures for the year was \$ 4,990,343 .

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 \$ 3,947,824 were posted this fiscal year to provide for the City's governmental program costs.

CITY OF BRADY, TEXAS

Management Discussion and Analysis

September 30, 2018

Reporting the City's Most Significant Funds

Analysis of the City's major funds begins on page 23. The fund financial statements, found on 23 through 32 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 Discussion and Analysis
September 30, 2018

FUND FINANCIAL STATEMENT ANALYSIS

Governmental Type Funds

The City reports a combined governmental fund balance of \$ 3,833,222 , reflecting an increase of \$ 574,474 in comparison with the previous year. Unassigned fund balance equals \$ 3,062,909 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, Water & Sewer, 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 2018 and all funds continue to maintain a healthy level of unrestricted fund balances ranging from 5 to 19 months of operating expenditures.

COMPONENT UNIT

Component units are legally separate entities from the City, but were organized to benefit the City. There is one component unit, the Brady Economic Development Corporation, Type A (EDC-A), at September 30, 2018, and additional information is presented in the basic financial statements and the notes to the financial statements.

In May 2018 a voter referendum passed to dissolve the EDC-A and create an EDC Type B. The new Type B EDC is eligible to receive sales tax revenues beginning October 1, 2018; therefore, no business is recorded in fiscal year 2018.

CITY OF BRADY, TEXAS

Management Discussion and Analysis

September 30, 2018

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, 2018 is \$ 33,829,185 , net of accumulated depreciation. The majority, 77%, of the City's capital assets is invested in buildings, improvements, and infrastructure.

Governmental activities report the addition of \$ 567,390 in various capital enhancements, including a new fire truck, two vehicles for the police department, one vehicle for the street department and various equipment purchases.

Business activities report additions of \$ 243,616 in capital assets. Various infrastructure improvements were made in the electric division to address recommendations from LCRA (the City's wholesale electric provider). A new sewer collection line was constructed to service the new county jail facility, water well #5 was reconstructed and a backhoe/loader was purchased.

The principal project in progress for the governmental activities includes completion of the renovation of the Civic Center. Principal projects in progress 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, 2018:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2018	2017	2018	2017	2018	2017	2018	2017
Land	\$ 756,484	\$ 756,484	\$ 94,948	\$ 92,948	\$ 851,432	\$ 849,432	\$ 13,643	\$ 13,643
Buildings	7,497,824	7,549,303	15,627,493	15,627,493	23,125,317	23,176,796	452,953	452,953
Equipment	2,693,930	2,312,369	2,865,221	2,768,706	5,559,151	5,081,075	-	-
Vehicles	1,421,786	1,318,373	886,512	899,779	2,308,298	2,218,152	-	-
Infrastructure	11,866,762	11,866,762	14,821,825	14,341,583	26,688,587	26,208,345	-	-
Construction in Progress	663,804	449,781	5,302,187	4,039,829	5,965,991	4,489,610	-	-
Less:								
Accumulated Depreciation	(15,369,061)	(14,475,519)	(15,300,530)	(13,581,390)	(30,669,591)	(28,056,909)	(173,886)	(153,415)
Total	<u>\$ 9,531,529</u>	<u>\$ 9,777,553</u>	<u>\$ 24,297,656</u>	<u>\$ 24,188,948</u>	<u>\$ 33,829,185</u>	<u>\$ 33,966,501</u>	<u>\$ 292,710</u>	<u>\$ 313,181</u>

CITY OF BRADY, TEXAS

Management Discussion and Analysis

September 30, 2018

Debt Administration

At September 30, 2018, the City's total bonds, notes and capital leases outstanding reflect a decrease of \$ 1,024,320 compared to prior year. In reviewing the Governmental Activities, one finance contract totaling \$ 75,836 was issued for the purchase of two police vehicles. 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, 2018:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2018	2017	2018	2017	2018	2017	2018	2017
General Obligation Refunding Bonds	\$ 798,700	\$ 989,800	\$ 16,300	\$ 20,200	\$ 815,000	\$ 1,010,000	\$ -	\$ -
Certificates of Obligations	-	-	3,690,000	4,050,000	3,690,000	4,050,000	-	-
Notes to Financial Institutions	-	-	1,002,135	1,224,033	1,002,135	1,224,033	38,963	63,796
Equipment Capital Leases	578,228	702,974	295,809	418,485	874,037	1,121,459	-	-
Total Bonds, Notes, and Capital Leases	<u>\$ 1,376,928</u>	<u>\$ 1,692,774</u>	<u>\$ 5,004,244</u>	<u>\$ 5,712,718</u>	<u>\$ 6,381,172</u>	<u>\$ 7,405,492</u>	<u>\$ 38,963</u>	<u>\$ 63,796</u>

Total compensated absences for Governmental Funds are \$ 106,470 and \$ 38,240 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 favorably over budget compared to total general fund revenues by \$ 353,609 and total expenditures were under budget by \$ 547,055 , resulting in a net variance to the final budget of \$ 900,664 before transfers.

The original revenue projections for the general fund budget were increased at the mid-year budget review by \$ 198,001 primarily to recognize better than expected sales collections and the award of grant funding for projects in the airport and police divisions.

The original expenditure projections for the general fund budget were also adjusted by increasing expenditures by \$ 607,502 . The budget was primarily adjusted at the beginning of the fiscal year to reflect approved capital asset purchases in fiscal year 2017 that could not be completed due to timing with the purchasing process. Overall, year-end actual performance was less than the final budget numbers, as operational cost projections did not fully materialize.

CITY OF BRADY, TEXAS

Management Discussion and Analysis

September 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials considered many factors when setting the fiscal year 2019 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 has been mostly stable.

Late 2018 the city's primary sand plant customer announced that it would be permanently closing. This will have a direct impact on utility revenues and property taxes. However, a company specializing in aggregate products has purchased the property and initial plans are to continue operations, but at a lower volume. This fact has prompted staff and City Council to start reviewing the current budget for cost saving measures and take a closer look at future budgeting efforts.

Implementing federally mandated infrastructure improvements to the City's wastewater and water systems continues as a top priority. Funding for construction improvements to conclude the two projects is being completed in the fiscal year 2019 budget.

These factors were taken into account when adopting the General Fund budget for fiscal year 2019. Council adopted utility rate increases for the water, wastewater and sanitation distribution systems. Cost efficiencies to support the fiscal year 2019 Budget were prompted by limiting capital expenditures. The Council adopted a balanced budget to ensure a stable fund balance position is maintained.

The EDC-A adopted a budget that was approved by the City Council for fiscal year 2019 that prioritizes the termination activities required due to the referendum that passed in May 2018. The newly formed EDC Type B, created by the same referendum, has also adopted a fiscal year 19 budget that addresses start up activities including hiring a new independent Director to serve the EDC Type B directly, marketing efforts and training. Under a formally approved Performance Agreement with the City, the EDC-B will continue the payment obligation to the City for the Civic Center construction cost. Additionally, the EDC-B Board is budgeting to receive a USDA grant to help fund a loan program for businesses. A separate fund is budgeted to track the activity of the program and matching funds from the EDC-B funds.

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.

Financial Statements

CITY OF BRADY, TEXAS

Statement of Net Position

September 30, 2018

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-Type Activities	TOTAL	Component Unit
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 3,006,103	\$ 8,665,881	\$ 11,671,984	\$ 546,231
Receivables, Net of Allowances	312,043	773,362	1,085,405	150
Inventory	35,541	117,789	153,330	-
Note Receivable, Current Portion	-	-	-	5,203
Prepaid Expenses	-	2,347	2,347	-
Total Current Assets	3,353,687	9,559,379	12,913,066	551,584
Noncurrent Assets				
Restricted Cash and Cash Equivalents	693,956	2,227,131	2,921,087	-
Note Receivable, Non-Current Portion	-	-	-	44,416
Land	756,484	94,948	851,432	13,643
Construction in Progress	663,804	5,302,187	5,965,991	-
Property and Equipment, Net of Depreciation	8,111,241	18,900,523	27,011,764	279,067
Total Noncurrent Assets	10,225,485	26,524,789	36,750,274	337,126
Total Assets	13,579,172	36,084,168	49,663,340	888,710
LIABILITIES				
Current Liabilities				
Accounts Payable	169,436	613,655	783,091	102
Accrued Expenses	10,338	-	10,338	-
Interest Payable	1,247	9,694	10,941	-
Other Payables	-	13,914	13,914	-
Bonds, Notes, and Leases Payable	384,542	709,471	1,094,013	38,963
Total Current Liabilities	565,563	1,346,734	1,912,297	39,065
Noncurrent Liabilities				
Accrued Compensated Absences	106,470	38,240	144,710	-
Bond Premium, Net of Amortization	8,468	-	8,468	-
Landfill Closure	-	478,219	478,219	-
Customer Deposits	-	716,383	716,383	-
Net Pension Liability	523,115	218,654	741,769	-
Bonds, Notes, and Leases Payable	992,386	4,294,773	5,287,159	-
Total Noncurrent Liabilities	1,630,439	5,746,269	7,376,708	-
Total Liabilities	2,196,002	7,093,003	9,289,005	39,065
DEFERRED INFLOWS				
Deferred Pension Related Inflows	446,625	186,681	633,306	-
Total Deferred Inflows	446,625	186,681	633,306	-
NET POSITION				
Net Investment in Capital Assets	8,154,601	19,293,414	27,448,015	253,747
Restricted	734,772	1,032,529	1,767,301	-
Unrestricted	2,047,172	8,478,541	10,525,713	595,898
Total Net Position	\$ 10,936,545	\$ 28,804,484	\$ 39,741,029	\$ 849,645

CITY OF BRADY, TEXAS

Statement of Activities

September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Administration	\$ 724,468	\$ 40,914	\$ -	\$ -
Airport	683,664	378,310	-	17,220
Public Property Maintenance	482,696	43,967	351	-
Mayor and Council	47,292	582	-	-
Golf Course	281,259	93,483	10,000	-
Swimming Pool	201,025	19,038	-	-
Fire Department	395,814	40,416	1,000	-
Police Department	1,089,860	24,185	-	-
Emergency Operations	17,590	15,000	-	-
Communications	292,867	54,000	-	-
Community Services Administration	160,555	83,000	-	-
Street Department	827,814	18,788	-	-
Civic Center	105,977	95,138	178	-
Municipal Court	76,209	94,528	-	-
Community Services	15,436	-	-	-
Repair Shop	64,647	-	-	-
Animal Control	75,552	235	-	-
EMS	1,421,516	710,633	-	-
Lake Department	205,104	188,952	-	-
Financial Administration	301,421	9,661	-	-
Building Inspection and Permits	152,391	33,106	-	-
G. Rollie White Complex	17,820	-	-	-
Purchasing	64,541	-	-	-
Special Revenue Fund	850,932	27,367	76,023	187,029
Interest on Long-Term Debt	37,339	-	-	-
Total Governmental Activities	8,593,789	1,971,303	87,552	204,249
Business-Type Activities				
Sewer	23,200	-	-	-
Electric	4,591,526	7,938,128	-	-
Water	1,804,242	3,345,347	-	-
Gas	937,014	1,241,864	-	-
Solid Waste	1,028,677	1,112,412	-	-
Utility Support	551,616	221,624	-	-
Total Business-Type Activities	8,936,275	13,859,375	-	-
Total Primary Government	\$ 17,530,064	\$ 15,830,678	\$ 87,552	\$ 204,249
Total Component Unit	\$ 215,991	\$ 10,521	\$ -	\$ -

General Revenues

Taxes
Property Taxes, Levied for General Purposes
Sales Taxes
Franchise Taxes
Mixed Beverage Taxes
Hotel Occupancy Taxes
Interest Revenue
Miscellaneous
Gain (Loss) on the Disposal of Capital Assets
Donations
Transfers
Total General Revenues, Special Items, and Transfers
Change in Net Position
Net Position - Beginning
Prior Period Adjustments
Net Position - Beginning as Restated
Net Position - Ending

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

CITY OF BRADY, TEXAS

Statement of Activities (Continued)

September 30, 2018

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Total Component Unit
\$ (683,554)	\$ -	\$ (683,554)	\$ -
(288,134)	-	(288,134)	-
(438,378)	-	(438,378)	-
(46,710)	-	(46,710)	-
(177,776)	-	(177,776)	-
(181,987)	-	(181,987)	-
(354,398)	-	(354,398)	-
(1,065,675)	-	(1,065,675)	-
(2,590)	-	(2,590)	-
(238,867)	-	(238,867)	-
(77,555)	-	(77,555)	-
(809,026)	-	(809,026)	-
(10,661)	-	(10,661)	-
18,319	-	18,319	-
(15,436)	-	(15,436)	-
(64,647)	-	(64,647)	-
(75,317)	-	(75,317)	-
(710,883)	-	(710,883)	-
(16,152)	-	(16,152)	-
(291,760)	-	(291,760)	-
(119,285)	-	(119,285)	-
(17,820)	-	(17,820)	-
(64,541)	-	(64,541)	-
(560,513)	-	(560,513)	-
(37,339)	-	(37,339)	-
(6,330,685)	-	(6,330,685)	-
-	(23,200)	(23,200)	-
-	3,346,602	3,346,602	-
-	1,541,105	1,541,105	-
-	304,850	304,850	-
-	83,735	83,735	-
-	(329,992)	(329,992)	-
-	4,923,100	4,923,100	-
<u>\$ (6,330,685)</u>	<u>\$ 4,923,100</u>	<u>\$ (1,407,585)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (205,470)</u>
1,005,391	-	1,005,391	-
1,247,940	-	1,247,940	264,653
20,237	-	20,237	-
7,764	-	7,764	-
257,727	-	257,727	-
247,572	32,143	279,715	17,052
1,014	-	1,014	15
-	35,100	35,100	-
135	-	135	-
4,020,902	(3,947,824)	73,078	(73,078)
6,808,682	(3,880,581)	2,928,101	208,642
477,997	1,042,519	1,520,516	3,172
10,412,877	28,471,945	38,884,822	784,360
45,671	(709,980)	(664,309)	62,113
10,458,548	27,761,965	38,220,513	846,473
<u>\$ 10,936,545</u>	<u>\$ 28,804,484</u>	<u>\$ 39,741,029</u>	<u>\$ 849,645</u>

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

CITY OF BRADY, TEXAS

Balance Sheet – Governmental Funds

September 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 3,061,463	\$ 638,596	\$ 3,700,059
Receivables, Net of Allowances:			
Property Taxes	59,320	626	59,946
Accounts Receivables	179,587	72,510	252,097
Inventory	35,541	-	35,541
Total Assets	<u>\$ 3,335,911</u>	<u>\$ 711,732</u>	<u>\$ 4,047,643</u>
LIABILITIES			
Accounts Payable	\$ 137,115	\$ 32,321	\$ 169,436
Accrued Expenses	10,338	-	10,338
Total Liabilities	<u>147,453</u>	<u>32,321</u>	<u>179,774</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	34,647	-	34,647
	<u>34,647</u>	<u>-</u>	<u>34,647</u>
FUND BALANCES			
Fund Balance:			
Nonspendable	35,541	-	35,541
Restricted	55,361	679,411	734,772
Unassigned	3,062,909	-	3,062,909
Total Fund Balance	<u>3,153,811</u>	<u>679,411</u>	<u>3,833,222</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,335,911</u>	<u>\$ 711,732</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Some assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Capital Assets, Net of Accumulated Depreciation of \$15,325,886			9,531,529
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 Inflows			(446,625)
Net Pension Liability			(523,115)
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			
			34,647
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Notes, Bonds, and Capital Leases			(1,376,928)
Bond Premium, Net of Amortization			(8,468)
Interest Payable			(1,247)
Accrued Compensated Absences			(106,470)
Net Position of Governmental Activities			<u>\$ 10,936,545</u>

CITY OF BRADY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Property Tax	\$ 955,123	\$ -	\$ 955,123
Sales Tax	1,003,335	244,605	1,247,940
Franchise Tax	20,237	-	20,237
Hotel Occupancy Tax	-	257,727	257,727
Mixed Beverage Tax	7,764	-	7,764
Interest Income	247,572	-	247,572
Miscellaneous Revenue	1,014	-	1,014
Reimbursed Expenses	31,672	80	31,752
Administrative	40,914	-	40,914
Airport	360,510	-	360,510
Public Property Maintenance	43,949	-	43,949
Golf Course	93,483	-	93,483
Swimming Pool	19,038	-	19,038
Fire Department	38,505	-	38,505
Police Department	21,085	-	21,085
Emergency Operations	15,000	-	15,000
Communications	54,000	-	54,000
Community Services Administration	83,000	-	83,000
Street Department	18,703	-	18,703
Civic Center	95,138	-	95,138
Pass-Through Services	-	4,567	4,567
Senior Citizen Program	-	22,720	22,720
Municipal Court	94,528	-	94,528
Animal Control	235	-	235
City/County EMS	709,200	-	709,200
Lake Department	184,860	-	184,860
Community Development	-	187,029	187,029
Cemetery Maintenance	-	48,628	48,628
Financial Administration	7,000	-	7,000
Building Inspection and Permits	33,116	-	33,116
Donations	11,529	150	11,679
Grant Revenues	17,220	75,873	93,093
Total Revenues	\$ <u>4,207,730</u>	\$ <u>841,379</u>	\$ <u>5,049,109</u>

CITY OF BRADY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
(Continued)
Governmental Funds
Year Ended September 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
EXPENDITURES			
Current:			
Administration	\$ 627,609	\$ -	\$ 627,609
Airport	447,907	-	447,907
Public Property Maintenance	364,871	-	364,871
Mayor and Council	47,280	-	47,280
Golf Course	247,948	-	247,948
Swimming Pool	201,025	-	201,025
Fire Department	366,382	-	366,382
Police Department	982,560	-	982,560
Emergency Operations	6,970	-	6,970
Communications	278,563	-	278,563
Community Services Administration	160,163	-	160,163
Street Department	544,319	-	544,319
Civic Center	37,469	-	37,469
Pass-Through Services	-	480,511	480,511
Senior Citizens Program	-	217,906	217,906
Municipal Court	67,101	-	67,101
Community Services	15,436	-	15,436
Repair Shop	61,849	-	61,849
Animal Control	73,719	-	73,719
City/County EMS	1,330,223	-	1,330,223
Lake Department	175,958	-	175,958
G.R. White Complex	11,084	-	11,084
Purchasing	62,524	-	62,524
Financial Administration	292,377	-	292,377
Community Development	-	133,816	133,816
Cemetery Maintenance	-	16,391	16,391
Building Inspection and Permits	142,651	-	142,651
Capital Outlay	666,267	115,145	781,412
Debt Service:			
Principal	391,682	-	391,682
Interest	49,473	-	49,473
Total Expenditures	<u>7,653,410</u>	<u>963,769</u>	<u>8,617,179</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,445,680)	(122,390)	(3,568,070)
Other Financing Sources (Uses)			
Bond Proceeds	75,836	-	75,836
Donated Assets	135	-	135
Transfers In	3,727,529	486,495	4,214,024
Transfers Out	(95,671)	(97,451)	(193,122)
Total Other Financing Sources (Uses)	<u>3,707,829</u>	<u>389,044</u>	<u>4,096,873</u>
Change in Fund Balances	262,149	266,654	528,803
Total Net Position - Beginning of Year	2,845,991	412,757	3,258,748
GASB Prior Period Adjustment	45,671	-	45,671
Restated Net Position - Beginning of Year	2,891,662	412,757	3,304,419
Total Net Position - End of Year	<u>\$ 3,153,811</u>	<u>\$ 679,411</u>	<u>\$ 3,833,222</u>

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
(Continued)
Governmental Funds
Year Ended September 30, 2018

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	\$ 528,803
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	781,412
Depreciation Expense	(997,528)
Transfers of capital assets between the governmental activities and business-type activities are not a use of financial resources and are therefore not reported in the governmental funds.	
	(29,907)
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	(75,836)
Bond and Lease Principal Payments	391,682
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	1,639
The change in net position liability and deferred inflows and outflows related to the City's TMRS pension liability:	
	(120,697)
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:	
Accrued Compensated Absences	(13,705)
Change in Net Position of Governmental Activities	\$ <u><u>477,997</u></u>

CITY OF BRADY, TEXAS

Statement of Net Position

Proprietary Funds

September 30, 2018

	Electric	Water & Sewer	Gas
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 3,800,166	\$ 3,538,118	\$ 722,488
Receivables:			
Accounts, Net	490,202	178,000	26,167
Inventory	-	-	-
Prepaid Expenses	2,347	-	-
Total Current Assets	<u>4,292,715</u>	<u>3,716,118</u>	<u>748,655</u>
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents	-	920,286	-
Capital Assets:			
Land	14,397	10,814	2,337
Construction in Progress	79,916	4,974,764	208,056
Property & Equipment	4,230,332	23,086,322	2,335,878
Accumulated Depreciation	<u>(3,160,633)</u>	<u>(9,013,858)</u>	<u>(1,130,215)</u>
Total Noncurrent Assets	<u>1,164,012</u>	<u>19,978,328</u>	<u>1,416,056</u>
Total Assets	<u>5,456,727</u>	<u>23,694,446</u>	<u>2,164,711</u>
LIABILITIES			
Current			
Accounts Payable	319,060	212,893	18,891
Interest Payable	2,292	4,534	2,193
Other Payables	-	-	-
Bonds, Notes and Leases Payable	59,605	497,500	67,841
Total Current Liabilities	<u>380,957</u>	<u>714,927</u>	<u>88,925</u>
Noncurrent			
Accrued Compensated Absences	11,511	8,340	5,977
Landfill Closure	-	-	-
Utility Deposits	-	-	-
Net Pension Liability	86,269	24,645	22,689
Bonds, Notes and Leases Payable	186,610	3,733,949	203,177
Total Noncurrent Liabilities	<u>284,390</u>	<u>3,766,934</u>	<u>231,843</u>
Total Liabilities	<u>665,347</u>	<u>4,481,861</u>	<u>320,768</u>
DEFERRED INFLOWS			
Deferred Pension Related Inflows	43,464	53,835	22,608
Total Deferred Inflows	<u>43,464</u>	<u>53,835</u>	<u>22,608</u>
NET POSITION			
Net Position, Net Investment in Capital Assets	917,797	14,826,593	1,145,038
Restricted Net Position	-	920,286	-
Unrestricted Net Position	<u>3,830,119</u>	<u>3,411,871</u>	<u>676,297</u>
Total Net Position	<u>\$ 4,747,916</u>	<u>\$ 19,158,750</u>	<u>\$ 1,821,335</u>

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

CITY OF BRADY, TEXAS
Statement of Net Position (Continued)
Proprietary Funds
September 30, 2018

Solid Waste	Utility Support	Totals
<u> </u>	<u> </u>	<u> </u>
\$ 485,964	\$ 119,145	\$ 8,665,881
53,052	25,941	773,362
-	117,789	117,789
-	-	2,347
<u>539,016</u>	<u>262,875</u>	<u>9,559,379</u>
590,462	716,383	2,227,131
67,400	-	94,948
21,436	18,015	5,302,187
1,609,453	2,941,069	34,203,054
(1,358,897)	(638,928)	(15,302,531)
<u>929,854</u>	<u>3,036,539</u>	<u>26,524,789</u>
<u>1,468,870</u>	<u>3,299,414</u>	<u>36,084,168</u>
24,589	38,222	613,655
664	11	9,694
-	13,914	13,914
<u>83,573</u>	<u>952</u>	<u>709,471</u>
<u>108,826</u>	<u>53,099</u>	<u>1,346,734</u>
9,238	3,174	38,240
478,219	-	478,219
-	716,383	716,383
55,462	29,589	218,654
<u>171,037</u>	<u>-</u>	<u>4,294,773</u>
<u>713,956</u>	<u>749,146</u>	<u>5,746,269</u>
<u>822,782</u>	<u>802,245</u>	<u>7,093,003</u>
45,612	21,162	186,681
<u>45,612</u>	<u>21,162</u>	<u>186,681</u>
84,782	2,319,204	19,293,414
112,243	-	1,032,529
<u>403,451</u>	<u>156,803</u>	<u>8,478,541</u>
<u>\$ 600,476</u>	<u>\$ 2,476,007</u>	<u>\$ 28,804,484</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
Proprietary Funds
Year Ended September 30, 2018

	Electric	Water & Sewer	Gas
OPERATING REVENUES			
Charges for Services:			
Electrical Distribution	\$ 7,920,092	\$ -	\$ -
Wastewater	-	1,040,325	-
Water Department	-	2,299,698	-
Gas Department	-	-	1,239,083
Solid Waste	-	-	-
Street Sanitation	-	-	-
Utility Support	-	-	-
Grant Revenue	-	-	-
Reimbursed Expenses	18,036	5,324	2,781
Total Operating Revenues	<u>7,938,128</u>	<u>3,345,347</u>	<u>1,241,864</u>
OPERATING EXPENSES			
Sewer and Electric Department			
Power Plant	21,462	-	-
Electrical Distribution	4,455,763	-	-
Wastewater	-	325,185	-
Water Department			
Public Works Administration	-	132,893	-
Water	-	723,195	-
Gas Department			
Gas	-	-	806,797
Solid Waste Department			
Solid Waste	-	-	-
Street Sanitation	-	-	-
Utility Support:			
Administration	-	-	-
Meter Shop	-	-	-
Billing-Collection	-	-	-
Bad Debt Expense	23,200	13,100	2,750
Depreciation	104,624	584,046	116,904
Total Operating Expenses	<u>4,605,049</u>	<u>1,778,419</u>	<u>926,451</u>
Operating Income (Loss)	3,333,079	1,566,928	315,413
NON-OPERATING REVENUES (EXPENSES)			
Gain (Loss) on the Disposal of Capital Assets	-	-	-
Interest Income	2	23,758	-
Interest Expense	(9,677)	(25,823)	(10,563)
Total Non-Operating Revenues (Expenses)	<u>(9,675)</u>	<u>(2,065)</u>	<u>(10,563)</u>
Income (Loss) Before Transfers	3,323,404	1,564,863	304,850
Transfers In	3,331,658	7,949,255	-
Transfers Out	<u>(11,069,155)</u>	<u>(3,815,987)</u>	<u>(427,000)</u>
Change in Net Position	(4,414,093)	5,698,131	(122,150)
Total Net Position - Beginning	<u>9,449,992</u>	<u>13,659,291</u>	<u>2,156,586</u>
Prior Period Adjustment	(287,983)	(198,672)	(213,101)
Total Net Position - Beginning as Restated	<u>9,162,009</u>	<u>13,460,619</u>	<u>1,943,485</u>
Total Net Position - Ending	<u>\$ 4,747,916</u>	<u>\$ 19,158,750</u>	<u>\$ 1,821,335</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
Year Ended September 30, 2018

Solid Waste	Utility Support	Totals
<u> </u>	<u> </u>	<u> </u>
\$ -	\$ -	\$ 7,920,092
-	-	1,040,325
-	-	2,299,698
-	-	1,239,083
1,037,139	-	1,037,139
75,223	-	75,223
-	220,606	220,606
-	-	-
50	1,018	27,209
<u>1,112,412</u>	<u>221,624</u>	<u>13,859,375</u>
-	-	21,462
-	-	4,455,763
-	-	325,185
-	-	132,893
-	-	723,195
-	-	806,797
881,673	-	881,673
25,148	-	25,148
-	153,202	153,202
-	57,374	57,374
-	225,748	225,748
4,210	4,400	47,660
<u>106,665</u>	<u>110,733</u>	<u>1,022,972</u>
<u>1,017,696</u>	<u>551,457</u>	<u>8,879,072</u>
94,716	(329,833)	4,980,303
35,100	-	35,100
7,885	498	32,143
<u>(10,981)</u>	<u>(159)</u>	<u>(57,203)</u>
<u>32,004</u>	<u>339</u>	<u>10,040</u>
126,720	(329,494)	4,990,343
-	298,400	11,579,313
<u>(214,995)</u>	<u>-</u>	<u>(15,527,137)</u>
(88,275)	(31,094)	1,042,519
<u>698,975</u>	<u>2,507,101</u>	<u>28,471,945</u>
(10,224)	-	(709,980)
<u>688,751</u>	<u>2,507,101</u>	<u>27,761,965</u>
<u>\$ 600,476</u>	<u>\$ 2,476,007</u>	<u>\$ 28,804,484</u>

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

CITY OF BRADY, TEXAS

Statement of Cash Flows

Proprietary Funds

Year Ended September 30, 2018

	Electric	Water & Sewer	Gas
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 7,847,015	\$ 3,237,955	\$ 1,254,145
Payments to Suppliers	(4,363,057)	(688,644)	(591,337)
Payments to Employees for Services	(303,111)	(410,008)	(183,723)
Payments on Behalf of Employees for Benefits	(90,741)	(121,588)	(64,554)
Receipts (Refunds) of Customer Deposits	-	-	-
Receipts from Grants	-	19,516	-
Net Cash Provided (Used) by Operating Activities	<u>3,090,106</u>	<u>2,037,231</u>	<u>414,531</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers from Other Funds	(11,069,155)	(3,815,987)	(427,000)
Operating Subsidies and Transfers to Other Funds	3,331,658	7,949,255	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(7,737,497)</u>	<u>4,133,268</u>	<u>(427,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Sale of Fixed Assets	-	-	-
Purchases of Capital Assets and Construction in Progress	(249,181)	(1,337,876)	(169,482)
Principal Paid on Capital Debt	(925,440)	372,564	(67,886)
Interest Paid on Capital Debt	(9,677)	(25,823)	(10,563)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(1,184,298)</u>	<u>(991,135)</u>	<u>(247,931)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	<u>2</u>	<u>23,758</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>2</u>	<u>23,758</u>	<u>-</u>
Net Increase (Decrease) In Cash & Cash Equivalents	(5,831,687)	5,203,122	(260,400)
Balances - Beginning of the Year	<u>6,914,693</u>	<u>1,887,598</u>	<u>948,535</u>
Balances - End of the Year	<u>\$ 1,083,006</u>	<u>\$ 7,090,720</u>	<u>\$ 688,135</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 3,333,079	\$ 1,566,928	\$ 315,413
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	104,624	584,046	116,904
Bad Debt Expense	23,200	13,100	2,750
Change In Assets & Liabilities:			
Accounts Receivable	(73,077)	(102,069)	15,062
Other Receivables	-	-	-
Inventories	-	-	-
Accounts Payable	(245,188)	33,417	(5,814)
Other Payables	-	-	-
Net Pension Liability	(53,437)	(78,703)	(31,381)
Compensated Absences	905	996	1,597
Customer Deposits Payable	-	-	-
Landfill Closure/Post Closure Costs	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,090,106</u>	<u>\$ 2,017,715</u>	<u>\$ 414,531</u>
Reconciliation to Statement of Net Position - Proprietary Funds:			
Cash and Cash Equivalents - Unrestricted	\$ 3,800,166	\$ 3,538,118	\$ 722,488
Cash and Cash Equivalents - Restricted	-	920,286	-
Total Cash and Cash Equivalents - Proprietary Funds	<u>\$ 3,800,166</u>	<u>\$ 4,458,404</u>	<u>\$ 722,488</u>
SCHEDULE OF NONCASH ACTIVITIES			
Transfer capital assets between funds	\$ 2,643,347	\$ (2,689,020)	\$ -
Actuarial Calculation of Net Pension Liability	73,813	76,220	34,353
Total Noncash Activities	<u>\$ 2,717,160</u>	<u>\$ (2,612,800)</u>	<u>\$ 34,353</u>

CITY OF BRADY, TEXAS
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2018

Solid Waste	Utility Support	Total
\$ 1,105,931	\$ 213,827	\$ 13,658,873
(393,631)	(223,351)	(6,260,020)
(377,662)	(133,081)	(1,407,585)
(133,973)	(91,196)	(502,052)
-	16,337	16,337
-	-	19,516
<u>200,665</u>	<u>(217,464)</u>	<u>5,525,069</u>
(214,995)	-	(15,527,137)
-	298,400	11,579,313
<u>(214,995)</u>	<u>298,400</u>	<u>(3,947,824)</u>
35,100	-	35,100
(21,436)	(18,014)	(1,795,989)
(82,126)	(5,586)	(708,474)
(10,981)	(159)	(57,203)
<u>(79,443)</u>	<u>(23,759)</u>	<u>(2,526,566)</u>
7,885	498	32,143
<u>7,885</u>	<u>498</u>	<u>32,143</u>
(85,888)	57,675	(917,178)
<u>1,090,871</u>	<u>744,289</u>	<u>11,585,986</u>
\$ <u><u>1,004,983</u></u>	\$ <u><u>801,964</u></u>	\$ <u><u>10,668,808</u></u>
\$ 94,716	\$ (329,833)	\$ 4,980,303
106,665	110,733	1,022,972
4,210	4,400	47,660
(6,390)	(22,296)	(188,770)
-	15,515	15,515
-	10,219	10,219
17,792	4,252	(195,541)
-	892	892
(64,234)	(28,041)	(255,796)
(243)	358	3,613
-	16,337	16,337
<u>48,149</u>	<u>-</u>	<u>48,149</u>
\$ <u><u>200,665</u></u>	\$ <u><u>(217,464)</u></u>	\$ <u><u>5,505,553</u></u>
\$ 485,964	\$ 119,145	\$ 8,665,881
590,462	716,383	2,227,131
\$ <u><u>1,076,426</u></u>	\$ <u><u>835,528</u></u>	\$ <u><u>10,893,012</u></u>
\$ -	\$ -	\$ (45,673)
71,443	33,564	289,393
\$ <u><u>71,443</u></u>	\$ <u><u>33,564</u></u>	\$ <u><u>243,720</u></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
September 30, 2018

	Brady Economic Development Corporation
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 546,231
Receivables, Net of Allowances	150
Notes Receivable, Current Portion	5,203
Total Current Assets	<u>551,584</u>
Noncurrent Assets	
Notes Receivable, Non-Current Portion	44,416
Land	13,643
Other Capital Assets, Net of Depreciation	279,067
Total Noncurrent Assets	<u>337,126</u>
Total Assets	<u>888,710</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	102
Bonds, Notes and Leases Payable	38,963
Total Liabilities	<u>39,065</u>
NET POSITION	
Net Investment in Capital Assets	253,747
Unrestricted	595,898
Total Net Position	<u><u>\$ 849,645</u></u>

CITY OF BRADY, TEXAS
Statement of Activities
Discretely Presented Component Unit
Year Ended September 30, 2018

				Net (Expense) Revenue and Change in Net Position
Functions/Programs	Expenses	Program Revenues		Position
		Charges for Services		Governmental Activities
Governmental Activities				
General Government				
Rental Income	\$ -	\$ 10,521	\$	10,521
Marketing	22,675	-		(22,675)
Professional/Legal Fees	444	-		(444)
Contract for Services	90,000	-		(90,000)
Community Development	66,163	-		(66,163)
Annual Land Lease	250	-		(250)
Travel and Training	9,290	-		(9,290)
Membership Dues and Fees	1,115	-		(1,115)
Office Supplies	33	-		(33)
Meeting Provisions	383	-		(383)
Interest Expense	5,167	-		(5,167)
Depreciation Expense	20,471	-		(20,471)
Total Governmental Activities	215,991	10,521		(205,470)
General Revenues				
Taxes				
Sales Taxes				264,653
Interest Revenue				17,052
Miscellaneous				15
Transfers				(73,078)
Total General Revenues, Special Items, and Transfers				208,642
Change in Net Position				3,172
Net Position - Beginning				784,360
Prior Period Adjustment				62,113
Net Position - Beginning (As Restated)				846,473
Net Position - Ending			\$	849,645

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

CITY OF BRADY, TEXAS

Notes to Financial Statements

September 30, 2018

1. 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.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

1. Summary of Significant Accounting Policies (Continued)

Financial Reporting Entity (Continued)

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.

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.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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

Government-Wide Financial Statements (Continued)

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

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

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.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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.

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.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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

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.

The major proprietary funds are:

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

Water & Sewer Fund – This fund is used to account for the provision of water treatment and distribution and sewer services 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 service center.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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

PROPRIETARY FUNDS (Continued)

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.

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 \$ 30,970 at September 30, 2018 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, 2018, and therefore, has not established a reserve for uncollectible receivables.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

1. Summary of Significant Accounting Policies (Continued)

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. Additions/betterments at or exceeding \$20,000 are considered capital improvements.

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

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 general and proprietary fund types in the periods they are used.

Interest Capitalization

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

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

1. Summary of Significant Accounting Policies (Continued)

Equity Classifications

Government-Wide Financial Statement Equity

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

- a. Net investment in Capital Assets – 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.
- *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, 2018.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

1. Summary of Significant Accounting Policies (Continued)

Fund Statement Equity (Continued)

- *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, 2018.
- *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*.

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.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

2. 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.

3. 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, 2018 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 modified accrual basis of accounting.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

3. Compliance and Accountability (Continued)

Budget Requirements, Accounting, and Reporting (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, 2018:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers In/Out</u>
Governmental Activities			
General Fund	\$ 3,727,529	\$ 95,671	\$ 3,631,858
Special Revenue Fund	486,495	97,451	389,044
Business-Type Activities			
Electric	3,331,658	11,069,155	(7,737,497)
Water & Sewer	7,949,255	3,815,987	4,133,268
Gas	-	427,000	(427,000)
Solid Waste	-	214,995	(214,995)
Utility Support	298,400	-	298,400
Component Unit			
EDC	-	73,078	(73,078)
	<u>\$ 15,793,337</u>	<u>\$ 15,793,337</u>	<u>\$ -</u>

4. 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 Brady National Bank 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 Financial Statements (continued)
September 30, 2018

4. Deposits and Investments (Continued)

Deposits and Investments

The carrying amount of the City's cash held with financial institutions was \$ 14,593,071 and the bank balance was \$ 14,007,879 . 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.	13,507,879
Total Bank Balance	\$ <u>14,007,879</u>

All deposits were fully secured at the balance sheet date.

The carrying amount of the EDC's cash held with financial institutions was \$ 546,231 and the bank balance was \$ 546,231 . 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.	296,231
Total Bank Balance	\$ <u>546,231</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 Financial Statements (continued)
September 30, 2018

4. Deposits and Investments (Continued)

Restricted Deposits and Investments

The City had deposits and investments restricted for the following purposes at September 30, 2018:

Restricted For:	Governmental Activities	Business-Type Activities	Total
State, Local and Federally Funded Programs	\$ 638,595	\$ -	\$ 638,595
Police Activities	20,577	-	20,577
Court Technology and Security	11,412	-	11,412
Debt Service	23,372	93,032	116,404
Clean Water Project	-	709,286	709,286
Drinking Water Project	-	137,444	137,444
Texas Water Development Board Covenant	-	220,000	220,000
Utility Customer Deposits	-	716,383	716,383
Landfill Closure Reserve	-	478,219	478,219
Total Restricted Cash	<u>\$ 693,956</u>	<u>\$ 2,354,364</u>	<u>\$ 3,048,320</u>

5. 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 2018, the City of Brady had property with an assessed valuation of \$ 238,061,530 . The tax rate was \$0.409609 per \$100 valuation.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

6. Capital Assets and Depreciation

Capital asset activity for the year ended September 30, 2018 was as follows:

Governmental Activities	Balance 10/1/2017	Additions	Deletions	Transfers	Balance 9/30/2018
Capital assets not being depreciated:					
Land	\$ 756,484	\$ -	\$ -	\$ -	\$ 756,484
Construction in progress	449,781	214,023	-	-	663,804
Subtotal	<u>1,206,265</u>	<u>214,023</u>	<u>-</u>	<u>-</u>	<u>1,420,288</u>
Capital assets being depreciated:					
Buildings and improvements	7,549,303	-	(51,479)	-	7,497,824
Infrastructure	11,866,762	-	-	-	11,866,762
Vehicles	1,318,373	112,283	(22,137)	13,267	1,421,786
Equipment	<u>2,312,369</u>	<u>455,107</u>	<u>(73,546)</u>	<u>-</u>	<u>2,693,930</u>
Subtotal	<u>23,046,807</u>	<u>567,390</u>	<u>(147,162)</u>	<u>13,267</u>	<u>23,480,302</u>
Accumulated depreciation	(14,475,521)	(997,528)	147,162	(43,174)	(15,369,061)
Net capital assets being depreciated	<u>8,571,286</u>	<u>(430,138)</u>	<u>-</u>	<u>(29,907)</u>	<u>8,111,241</u>
Net capital assets	<u>\$ 9,777,551</u>	<u>\$ (216,115)</u>	<u>\$ -</u>	<u>\$ (29,907)</u>	<u>\$ 9,531,529</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

6. Capital Assets and Depreciation (Continued)

Business-Type Activities	<u>Balance 10/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance 9/30/2018</u>
Capital assets not being depreciated:					
Land	\$ 92,948	\$ 2,000	\$ -	\$ -	\$ 94,948
Construction in progress	4,039,829	1,550,373	-	(288,015)	5,302,187
Subtotal	<u>4,132,777</u>	<u>1,552,373</u>	<u>-</u>	<u>(288,015)</u>	<u>5,397,135</u>
Capital assets being depreciated:					
Buildings and improvements	15,627,493	-	-	-	15,627,493
Infrastructure	14,341,583	139,101	-	341,141	14,821,825
Vehicles	899,779	-	-	(13,267)	886,512
Equipment	<u>2,768,706</u>	<u>104,515</u>	<u>(8,000)</u>	<u>-</u>	<u>2,865,221</u>
Subtotal	<u>33,637,561</u>	<u>243,616</u>	<u>(8,000)</u>	<u>327,874</u>	<u>34,201,051</u>
Accumulated depreciation	(13,581,390)	(1,022,972)	8,000	(704,168)	(15,300,530)
Net capital assets being depreciated	<u>20,056,171</u>	<u>(779,356)</u>	<u>-</u>	<u>(376,294)</u>	<u>18,900,521</u>
Net capital assets	<u>\$ 24,188,948</u>	<u>\$ 773,017</u>	<u>\$ -</u>	<u>\$ (664,309)</u>	<u>\$ 24,297,656</u>

Economic Development Corporation	<u>Balance 10/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2018</u>
Capital assets not being depreciated:				
Land	\$ 13,643	\$ -	\$ -	\$ 13,643
Subtotal	<u>13,643</u>	<u>-</u>	<u>-</u>	<u>13,643</u>
Capital assets being depreciated:				
Buildings and improvements	<u>452,953</u>	<u>-</u>	<u>-</u>	<u>452,953</u>
Subtotal	<u>452,953</u>	<u>-</u>	<u>-</u>	<u>452,953</u>
Accumulated depreciation	(153,415)	(20,471)	-	(173,886)
Net capital assets being depreciated	<u>299,538</u>	<u>(20,471)</u>	<u>-</u>	<u>279,067</u>
Net capital assets	<u>\$ 313,181</u>	<u>\$ (20,471)</u>	<u>\$ -</u>	<u>\$ 292,710</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

6. Capital Assets and Depreciation (Continued)

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

Governmental Activities		
Administration	\$	48,664
Airport		233,073
Public Property Maintenance		112,280
Golf Course		31,782
Fire Department		25,413
Police Department		86,697
Emergency Operations Center		10,620
Communications		3,625
Street Department		273,490
Civic Center		68,508
Senior Citizens Program		1,076
Municipal Court		8,085
Repair Shop		1,078
Animal Control		42
EMS Department		49,346
Lake Department		26,011
G. Rollie White Complex		6,736
Code Enforcement		8,241
Community Development		2,761
Total Depreciation Expense	\$	<u>997,528</u>
Business-Type Activities		
Electric	\$	104,624
Sewer		66,370
Water		517,676
Gas		116,904
Solid Waste		66,487
Street Sanitation		40,178
Utility Support		110,733
Total Depreciation Expense	\$	<u>1,022,972</u>
Economic Development Corporation		
Buildings & Improvements	\$	20,471
Total Depreciation Expense	\$	<u>20,471</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

7. 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.

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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2017</u>
Inactive employees or beneficiaries currently receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	106
Active employees	<u>94</u>
	<u><u>252</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

7. 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 10.76% and 10.77% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2018, were \$ 437,110 , and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of September 30, 2017, 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, 2017 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 Financial Statements (continued)
September 30, 2018

7. Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

Actuarial assumptions used in the December 31, 2017, 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 2018 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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

7. 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/ 2016	\$ 9,413,752	\$ 7,855,670	\$ 1,558,082
Changes for the year:			
Service Cost	540,689	-	540,689
Interest	641,623	-	641,623
Change of benefit terms	-	-	-
Difference between expected and actual experience	(285,297)	-	(285,297)
Change of assumptions	-	-	-
Contributions - employer	-	403,616	(403,616)
Contributions - employee	-	227,818	(227,818)
Net investment income	-	1,087,822	(1,087,822)
refunds of employee contributions	(357,154)	(357,154)	-
Administrative expense	-	(5,642)	5,642
Other Changes	-	(286)	286
Net changes	539,861	1,356,174	(816,313)
Balance at 12/31/ 2017	\$ 9,953,613	\$ 9,211,844	\$ 741,769

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

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

7. 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% Decrease in Discount Rate (7.75%)
City's Net Pension Liability	\$ 2,180,832	\$ 741,769	\$ 432,277

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.tmr.com.

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

For the year ended September 30, 2018, the city recognized pension expense of \$ 437,110 .

At September 30, 2018, 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	\$ -	\$ (187,255)
Difference in Actual Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	-	(446,051)
Contributions Subsequent to the Measurement Date	322,789	-
	<u>\$ 322,789</u>	<u>\$ (633,306)</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

7. Defined Benefit Pension Plans (Continued)

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

\$633,306 reported as deferred inflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2017	\$ (94,712)
2018	(106,074)
2019	(111,560)
2020	(111,512)
Total	\$ <u>(423,858)</u>

8. Other Employee Benefits

Compensated Absences

The City allows employees, after the completion of a six-month probation period, to begin accruing vacation leave immediately upon hire, but cannot use it until after completion of a 6-month new hire probation period. Vacation leave may be accrued to a maximum of 18.75 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 \$ 144,710 at September 30, 2018.z

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

9. 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 is covered by the City's TML policy.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

10. Leases

The City leases property and equipment through various operating and capital leases. Capital lease obligations are discussed in Note 11. 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, 2018 were \$ 21,210 for governmental activities and \$ 108,539 for business-type activities.

Future minimum lease payments for operating leases are as follows:

Year Ended September 30,	Amount
2019	\$ 124,544
2020	118,130
2021	73,489
2022	49,740
2023	46,300
Thereafter	3,858
Total	\$ <u>416,061</u>

The assets acquired through capital leases have a capitalized cost of \$ 4,014,270 . Accumulated depreciation at year-end was \$ 2,037,169 . Capital lease obligations are discussed in Note 11.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2018 includes the following:

Governmental Activities	Balance 10/1/2017	Additions	Reductions	Balance 9/30/2018	Amount Due Within One Year
General Obligation Refunding Bonds, Series 2012	\$ 989,800	\$ -	\$ (191,100)	\$ 798,700	\$ 191,100
Government Capital *	16,088	-	(9,999)	6,089	6,089
Government Capital *	23,227	-	(7,038)	16,189	7,297
Government Capital *	9,118	-	(5,427)	3,691	3,691
Government Capital *	24,498	-	(8,695)	15,803	9,043
Government Capital *	36,153	-	(9,003)	27,150	9,293
Government Capital *	11,784	-	(4,414)	7,370	4,586
Government Capital *	89,236	-	(21,268)	67,968	22,649
Government Capital *	78,515	-	(30,611)	47,904	31,665
Government Capital *	23,090	-	(9,002)	14,088	9,312
Government Capital *	32,521	-	(21,495)	11,026	11,026
Government Capital *	102,714	-	(29,574)	73,140	30,621
Government Capital *	17,842	-	(10,526)	7,316	7,316
Government Capital *	238,189	-	(21,566)	216,623	22,373
Government Capital *	-	75,836	(11,965)	63,871	18,481
Total Bonds, Notes, and Capital Leases Payable	1,692,775	75,836	(391,683)	1,376,928	384,542
Compensated Absences	92,765	13,705	-	106,470	-
Total Governmental Activities	\$ 1,785,540	\$ 89,541	\$ (391,683)	\$ 1,483,398	\$ 384,542

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. Long-Term Liabilities (Continued)

Business-Type Activities	Balance 10/1/2017	Additions	Reductions	Balance 9/30/2018	Amount Due Within One Year
Electric:					
Texas Bank *	\$ 292,199	\$ -	\$ (51,915)	\$ 240,284	\$ 53,673
Government Capital *	14,457	-	(8,525)	5,932	5,932
	<u>306,656</u>	<u>-</u>	<u>(60,440)</u>	<u>246,216</u>	<u>59,605</u>
Water & Sewer:					
Certificates of Obligation, Series 2000	2,940,000	-	(210,000)	2,730,000	210,000
Certificates of Obligation, Series 2013	245,000	-	(35,000)	210,000	35,000
Certificates of Obligation - WWTP, Series 2012	865,000	-	(115,000)	750,000	120,000
General Obligation Refunding Bonds, Series 2012	20,200	-	(3,900)	16,300	3,900
Government Capital *	32,763	-	(18,218)	14,545	14,545
Texas Bank *	620,922	-	(110,319)	510,603	114,055
	<u>4,723,885</u>	<u>-</u>	<u>(492,437)</u>	<u>4,231,448</u>	<u>497,500</u>
Gas:					
Government Capital *	14,166	-	(8,140)	6,026	6,026
Texas Bank *	304,374	-	(54,078)	250,296	55,909
Government Capital *	20,365	-	(5,668)	14,697	5,906
	<u>338,905</u>	<u>-</u>	<u>(67,886)</u>	<u>271,019</u>	<u>67,841</u>
Utility Support:					
Government Capital - Forklift *	6,538	-	(5,586)	952	952
	<u>6,538</u>	<u>-</u>	<u>(5,586)</u>	<u>952</u>	<u>952</u>
Solid Waste:					
Government Capital *	125,816	-	(18,473)	107,343	19,181
Government Capital *	12,556	-	(6,977)	5,579	5,579
Government Capital *	86,139	-	(32,284)	53,855	33,543
Government Capital *	112,223	-	(24,391)	87,832	25,270
	<u>336,734</u>	<u>-</u>	<u>(82,125)</u>	<u>254,609</u>	<u>83,573</u>
Total Bonds, Notes, and Capital Leases Payable	5,712,718	-	(708,474)	5,004,244	709,471
Compensated Absences	34,627	3,613	-	38,240	-
Total Business-Type Activities	<u>\$ 5,747,345</u>	<u>\$ 3,613</u>	<u>\$ (708,474)</u>	<u>\$ 5,042,484</u>	<u>\$ 709,471</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. Long-Term Liabilities (Continued)

	Balance 10/1/2017	Additions	Reductions	Balance 9/30/2018	Amount Due Within One Year
Economic Development Corporation					
Commercial National Bank	\$ 63,796	\$ -	\$ (24,833)	\$ 38,963	\$ 38,963
Total Bonds, Notes, and Capital Leases Payable	\$ 63,796	\$ -	\$ (24,833)	\$ 38,963	\$ 38,963

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, 2018 was \$ 815,000 . The balance is allocated between the general fund and water fund, which are \$ 798,700 and \$ 16,300 respectively.

Year Ended September 30,	Principal	Interest	Total
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
	\$ 815,000	\$ 56,852	\$ 871,852

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules

Government Capital

On February 15, 2015, the City entered a capital lease agreement with Government Capital. 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
2019	6,089	80	6,169
	\$ 6,089	\$ 80	\$ 6,169

Government Capital

On November 4, 2015, the City entered a capital lease agreement with Government Capital. 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
2019	\$ 7,297	\$ 464	\$ 7,761
2020	7,567	196	7,763
2021	1,325	6	1,331
	\$ 16,189	\$ 666	\$ 16,855

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

On May 5, 2015, the City entered a capital lease agreement with Government Capital. 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 \$ 3,691 , \$ 14,545 , \$ 14,166 , and \$ 5,579 , respectively.

Year Ended September 30,	Principal	Interest	Total
2019	29,841	372	30,213
	\$ 29,841	\$ 372	\$ 30,213

Government Capital

On March 17, 2015, the City entered a capital lease agreement with Government Capital. 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
2019	\$ 9,043	\$ 438	\$ 9,481
2020	6,760	92	6,852
	\$ 15,803	\$ 530	\$ 16,333

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

On June 16, 2015, the City entered a capital lease agreement with Government Capital. 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
2019	\$ 9,293	\$ 726	\$ 10,019
2020	9,592	427	10,019
2021	8,265	120	8,385
	<u>\$ 27,150</u>	<u>\$ 1,273</u>	<u>\$ 28,423</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
2019	\$ 4,586	\$ 197	\$ 4,783
2020	2,784	35	2,819
	<u>\$ 7,370</u>	<u>\$ 232</u>	<u>\$ 7,602</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. 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
2019	\$ 22,649	1,470	\$ 24,119
2020	45,319	747	46,066
	\$ <u>67,968</u>	\$ <u>2,217</u>	\$ <u>70,185</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
2019	\$ 31,665	1,135	\$ 32,800
2020	16,239	161	16,400
	\$ <u>47,904</u>	\$ <u>1,296</u>	\$ <u>49,200</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. 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
2019	\$ 9,312	334	\$ 9,646
2020	4,776	47	4,823
	\$ <u>14,088</u>	\$ <u>381</u>	\$ <u>14,469</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
2019	11,026	110	11,136
	\$ <u>11,026</u>	\$ <u>110</u>	\$ <u>11,136</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. 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
2019	\$ 30,621	2,061	\$ 32,682
2020	31,704	978	32,682
2021	10,815	78	10,893
	\$ <u>73,140</u>	\$ <u>3,117</u>	\$ <u>76,257</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
2019	7,316	138	7,454
	\$ <u>7,316</u>	\$ <u>138</u>	\$ <u>7,454</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. 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
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	25,913	4,053	29,966
2024-2027	96,071	6,310	102,381
	\$ 216,623	\$ 35,887	\$ 252,510

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

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

On October 15, 2012, the City issued the Combination Tax & Surplus Wastewater & Electric System Revenue Certificates of Obligation, Series 2012 in the amount of \$1,210,000. The City filed an application for financial assistance in the amount of \$2,651,990 with the Texas Water Development Board (TWDB) 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, 2018 was \$ 750,000 .

Year Ended September 30,	Principal	Interest	Total
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	130,000	5,850	135,850
2024	130,000	2,964	132,964
	\$ 750,000	\$ 55,868	\$ 805,868

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. 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, Electric and Gas System meters and 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 electric, water & sewer and gas funds, which balances are \$ 240,284 , \$ 510,603 , and \$ 250,296 , respectively.

Year Ended September 30,	Principal	Interest	Total
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	60,237	526	60,763
	\$ 1,001,183	\$ 77,100	\$ 1,078,283

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
2019	5,932	115	6,047
	\$ 5,932	\$ 115	\$ 6,047

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. 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. These bonds were issued by the Texas Water Development Board (TWBD) through the Drinking Water State Revolving Fund to finance water system improvements. 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, 2018 was \$ 2,730,000 .

Year Ended September 30,	Principal	Interest	Total
2019	\$ 210,000	\$ -	\$ 210,000
2020	210,000	-	210,000
2021	210,000	-	210,000
2022	210,000	-	210,000
2023	210,000	-	210,000
2024-2031	1,680,000	-	1,680,000
	<u>\$ 2,730,000</u>	<u>\$ -</u>	<u>\$ 2,730,000</u>

*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, 2018 was \$ 210,000 .

Year Ended September 30,	Principal	Interest	Total
2019	\$ 35,000	\$ 4,813	\$ 39,813
2020	35,000	4,288	39,288
2021	35,000	3,626	38,626
2022	35,000	2,825	37,825
2023	35,000	1,943	36,943
2024	35,000	1,001	36,001
	<u>\$ 210,000</u>	<u>\$ 18,496</u>	<u>\$ 228,496</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

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

Year Ended September 30,	Principal	Interest	Total
2019	\$ 5,906	\$ 493	\$ 6,399
2020	6,152	246	6,398
2021	2,639	27	2,666
	\$ <u>14,697</u>	\$ <u>766</u>	\$ <u>15,463</u>

Government Capital

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

Year Ended September 30,	Principal	Interest	Total
2019	952	5	957
	\$ <u>952</u>	\$ <u>5</u>	\$ <u>957</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

First Financial Bank

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

Year Ended September 30,	Principal	Interest	Total
2019	\$ 19,181	\$ 3,715	\$ 22,896
2020	19,916	2,980	22,896
2021	20,680	2,216	22,896
2022	21,472	601	22,073
2023	22,295	18	22,313
2024	3,799	18	3,817
	\$ 107,343	\$ 9,548	\$ 116,891

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
2019	\$ 33,543	\$ 1,442	\$ 34,985
2020	20,312	253	20,565
	\$ 53,855	\$ 1,695	\$ 55,550

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

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
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>87,832</u>	\$ <u>5,421</u>	\$ <u>93,253</u>

Commercial National Bank of Brady

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

Year Ended September 30,	Principal	Interest	Total
2019	33,796	790	34,586
	\$ <u>33,796</u>	\$ <u>790</u>	\$ <u>34,586</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

11. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

On December 19, 2017, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of two police vehicles. This lease is due and payable in 48 monthly payments of \$1682 beginning February 15, 2018. Payments include interest of 3.066%. This lease will be paid in full on January 15, 2022.

Year Ended September 30,	Principal	Interest	Total
2019	\$ 18,481	\$ 1,700	\$ 20,181
2020	19,056	1,125	20,181
2021	19,649	532	20,181
2022	6,685	43	6,728
	\$ 63,871	\$ 3,400	\$ 67,271

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

12. 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 \$ 478,219 as of September 30, 2018, which was based on 27.22% usage (filled) of the landfill. It is estimated that an additional \$ 1,278,388 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 (\$ 1,756,607) 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, 2018. 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 2018 disposal is in excess of 100 years. The current estimated liability of \$ 478,219 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 Financial Statements (continued)
September 30, 2018

13. 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.

14. Restricted Net Position

The City reported the following restricted net position at September 30, 2018:

Restricted For:	Governmental Activities	Business-Type Activities	Total Governmental Funds
Debt Service	\$ 23,372	\$ 105,432	\$ 128,804
State, Local, and Federally Funded Programs	679,411	927,097	1,606,508
Street Sanitation	-	112,243	112,243
Police Activities	20,577	-	20,577
Court Technology and Security	11,412	-	11,412
Total Restricted	<u>\$ 734,772</u>	<u>\$ 1,144,772</u>	<u>\$ 1,879,544</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

15. Fund Balances

The City reported the following fund balance designations at September 30, 2018:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventory	\$ 35,541	\$ -	\$ 35,541
Total Nonspendable	35,541	-	35,541
Restricted For:			
Debt Service	23,372	-	23,372
State and Federally Funded Programs	-	679,411	679,411
Police Activities	20,577	-	20,577
Court Technology and Security	11,412	-	11,412
Total Restricted	55,361	679,411	734,772
Unassigned	3,062,909	-	3,062,909
Total Fund Balances	\$ <u>3,153,811</u>	\$ <u>679,411</u>	\$ <u>3,833,222</u>

16. 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.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2018

17. Correction of an Error

The following prior period adjustments were reported:

Fund	10/1/2017 Fund Balance (As Previously Reported)	Adjustments	10/1/2017 Fund Balance (As Restated)	Effect on Income Statement
General	\$ 2,845,991	\$ 45,671	\$ 2,891,662	\$ (45,671)
Electric	9,449,992	(287,983)	9,162,009	287,983
Water & Sewer	13,659,291	(198,672)	13,460,619	198,672
Gas	2,156,586	(213,101)	1,943,485	213,101
Solid Waste	698,975	(10,224)	688,751	10,224
EDC	784,360	62,113	846,473	(62,113)
Total	\$ <u>29,595,195</u>	\$ <u>(602,196)</u>	\$ <u>28,992,999</u>	\$ <u>602,196</u>

For the General, Electric, Water & Sewer, Gas and Solid Waste Funds, the City noted that the accumulated depreciation amounts for each fund were incorrectly stated.

For the EDC, the EDC transferred a fish house to the City of Brady, Texas. Several of those costs were not recognized appropriately as a capital asset in years prior.

18. Subsequent Events

The City has evaluated subsequent events through April 12, 2019, the date which the financial statements were available to be issued. No such events have occurred subsequent to the balance sheet date and through the date of the City's evaluation that would require adjustment to, or disclosure in, the financial statements.

Supplementary Information

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Property Tax	\$ 892,000	\$ 892,000	\$ 955,123	\$ 63,123
Sales Tax	910,000	985,000	1,003,335	18,335
Franchise Taxes	30,000	30,000	20,237	(9,763)
Mixed Beverage Tax	5,000	5,000	7,764	2,764
Interest Income	81,270	81,270	247,572	166,302
Miscellaneous Revenue	100	100	1,014	914
Reimbursed Expenses	4,000	25,341	31,672	6,331
Administrative Services	37,800	37,800	40,914	3,114
Airport Revenue	460,050	460,050	360,510	(99,540)
Public Property Maintenance	31,500	31,500	43,949	12,449
Golf Course	94,600	94,600	93,483	(1,117)
Swimming Pool	23,000	23,000	19,038	(3,962)
Fire Department	42,000	42,000	38,505	(3,495)
Police Department	1,700	86,160	21,085	(65,075)
Emergency Op Center	15,000	15,000	15,000	-
Communications	54,000	54,000	54,000	-
Community Services Administration	83,000	83,000	83,000	-
Street Department	-	-	18,703	18,703
Civic Center	79,000	79,000	95,138	16,138
Municipal Court	72,800	72,800	94,528	21,728
Animal Control	300	300	235	(65)
City/County EMS	572,000	583,200	709,200	126,000
Lake Department	129,500	129,500	184,860	55,360
Financial Administration	7,000	7,000	7,000	-
Building & Permitting	20,500	20,500	33,116	12,616
Donations	10,000	10,000	11,529	1,529
Grant Revenue	-	6,000	17,220	11,220
Total Revenues	\$ 3,656,120	\$ 3,854,121	\$ 4,207,730	\$ 353,609

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and
Actual (Continued)
General Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
EXPENDITURES				
Administration	\$ 671,980	\$ 724,480	\$ 627,609	\$ 96,871
Airport	533,075	553,282	447,907	105,375
Public Property Maintenance	415,980	412,480	364,871	47,609
Mayor and Council	78,868	59,368	47,280	12,088
Golf Course	312,620	314,120	247,948	66,172
Swimming Pool	200,912	200,912	201,025	(113)
Fire Department	322,122	392,145	366,382	25,763
Police Department	920,935	955,495	982,560	(27,065)
Emergency Op Center	23,962	11,322	6,970	4,352
Communications	311,254	311,254	278,563	32,691
Community Services Administration	182,681	182,681	160,163	22,518
Street Department	585,786	585,786	544,319	41,467
Civic Center	44,500	54,390	37,469	16,921
Municipal Court	78,495	78,495	67,101	11,394
Special Services	1,600	15,850	15,436	414
Repair Shop	69,025	69,025	61,849	7,176
Animal Control	111,713	84,013	73,719	10,294
City/County EMS	1,339,178	1,334,608	1,330,223	4,385
Lake Department	206,445	206,445	175,958	30,487
G.R. White Complex	11,000	14,500	11,084	3,416
Purchasing	64,031	64,031	62,524	1,507
Financial Administration	301,960	301,960	292,377	9,583
Building & Permitting	226,321	198,763	142,651	56,112
Capital Outlay	130,000	626,540	666,267	(39,727)
Debit Service				
Principal	394,200	394,200	391,682	2,518
Interest	54,320	54,320	49,473	4,847
Total Expenditures	<u>7,592,963</u>	<u>8,200,465</u>	<u>7,653,410</u>	<u>547,055</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(3,936,843)	(4,346,344)	(3,445,680)	900,664
OTHER FINANCING SOURCES (USES)				
Transfers In	3,642,000	3,557,000	3,727,529	170,529
Donated Assets	-	-	135	135
Lease Proceeds	80,000	80,000	75,836	(4,164)
Transfers Out	-	(50,000)	(95,671)	(45,671)
Total Other Financing Sources (Uses)	<u>3,722,000</u>	<u>3,587,000</u>	<u>3,707,829</u>	<u>120,829</u>
Excess Revenues and Other Sources Over				
(Under) Expenditures and Other Uses	(214,843)	(759,344)	262,149	1,021,493
Fund Balance - Beginning, GAAP Basis	2,845,991	2,845,991	2,845,991	-
Prior Period Adjustment	45,671	45,671	45,671	-
Restated Fund Balance - Beginning of Year	<u>2,891,662</u>	<u>2,891,662</u>	<u>2,891,662</u>	<u>-</u>
Fund Balance - Ending, GAAP and				
Budgetary Basis	<u>\$ 2,676,819</u>	<u>\$ 2,132,318</u>	<u>\$ 3,153,811</u>	<u>\$ 1,021,493</u>

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Special Revenue Fund Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Sales Taxes	\$ 220,000	\$ 220,000	\$ 244,605	\$ 24,605
Hotel Occupancy Taxes	230,000	230,000	257,727	27,727
Senior Citizen Revenues	22,000	22,000	22,720	720
Airport Revenue	-	-	-	-
Donations	-	-	150	150
Cemetery Maintenance	51,050	51,050	48,628	(2,422)
Miscellaneous	-	-	-	-
Pass-Through Services Revenue	3,000	3,000	4,567	1,567
Reimbursed Expenses	-	-	80	80
Community Development	530,000	658,240	187,029	(471,211)
Grant Revenues	65,000	65,000	75,873	10,873
Total Revenues	<u>1,121,050</u>	<u>1,249,290</u>	<u>841,379</u>	<u>(407,911)</u>
EXPENDITURES				
Pass-Through Services	453,000	498,000	480,511	17,489
Senior Citizens Program	229,590	229,590	217,906	11,684
Community Development	200,000	200,000	133,816	66,184
Cemetery Maintenance	56,046	39,596	16,391	23,205
Capital Outlay	711,000	974,510	115,145	859,365
Total Expenditures	<u>1,649,636</u>	<u>1,941,696</u>	<u>963,769</u>	<u>977,927</u>
Excess (Deficiency) of Revenues Over Expenditures	(528,586)	(692,406)	(122,390)	570,016
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	461,500	486,500	486,495	(5)
Operating Transfers Out	-	-	(97,451)	(97,451)
Total Other Financing Sources and Uses	<u>461,500</u>	<u>486,500</u>	<u>389,044</u>	<u>(97,456)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(67,086)	(205,906)	266,654	472,560
Fund Balance - Beginning, GAAP Basis	<u>412,757</u>	<u>412,757</u>	<u>412,757</u>	<u>-</u>
Fund Balance - Ending, GAAP and Budgetary Basis	<u>\$ 345,671</u>	<u>\$ 206,851</u>	<u>\$ 679,411</u>	<u>\$ 472,560</u>

CITY OF BRADY, TEXAS

Notes to the Budgetary Comparison Schedules

September 30, 2018

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 City Manager 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 City Manager 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 Manager and Finance Director 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, 2018.

CITY OF BRADY, TEXAS

Schedule of Changes in Net Pension Liability and Related Ratios – Last 10 Years* September 30, 2018

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 540,688	\$ 521,298	\$ 464,500	\$ 407,549
Interest (on the Total Pension Liability)	641,623	588,735	577,768	540,559
Difference between expected and actual experience	(285,297)	15,972	(375,588)	(123,488)
Change of assumptions	-	-	123,568	-
Benefit payments, including refunds of employee contributions	(357,154)	(347,221)	(353,720)	(289,341)
Net Change in Total Pension Liability	<u>539,860</u>	<u>778,784</u>	<u>436,528</u>	<u>535,279</u>
Total Pension Liability - Beginning	<u>9,413,752</u>	<u>8,634,968</u>	<u>8,198,440</u>	<u>7,663,161</u>
Total Pension Liability - Ending (a)	<u>\$ 9,953,612</u>	<u>\$ 9,413,752</u>	<u>\$ 8,634,968</u>	<u>\$ 8,198,440</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 403,616	\$ 365,382	\$ 370,043	\$ 351,829
Contributions - Employee	227,818	218,574	212,262	194,223
Net Investment Income	1,087,822	482,335	10,197	360,294
Benefit payments, including refunds of employee contributions	(357,154)	(347,221)	(353,720)	(289,341)
Administrative Expense	(5,642)	(5,451)	(6,211)	(3,761)
Other	(286)	(294)	(308)	(309)
Net Change in Plan Fiduciary Net Position	<u>1,356,174</u>	<u>713,325</u>	<u>232,263</u>	<u>612,935</u>
Plan Fiduciary Net Position - Beginning	<u>7,855,670</u>	<u>7,142,345</u>	<u>6,910,082</u>	<u>6,297,147</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,211,844</u>	<u>\$ 7,855,670</u>	<u>\$ 7,142,345</u>	<u>\$ 6,910,082</u>
Net Pension Liability - Ending (a) - (b)	\$ 741,768	\$ 1,558,082	\$ 1,492,623	\$ 1,288,358
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.55%	83.45%	82.71%	84.29%
Covered Employee Payroll	\$ 3,796,968	\$ 3,642,893	\$ 3,537,699	\$ 3,178,565
Net Pension Liability as a Percentage of Covered Employee Payroll	19.54%	42.77%	42.19%	40.53%

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

SUPPLEMENTAL SECTION

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Electric Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Electrical Distribution	\$ 7,745,410	\$ 7,753,810	\$ 7,920,092	\$ 166,282
Interest Income	-	-	2	2
Reimbursed Expenses	-	18,000	18,036	36
Total Revenues	<u>7,745,410</u>	<u>7,771,810</u>	<u>7,938,130</u>	<u>166,320</u>
EXPENDITURES				
Power Plant	35,200	70,200	21,462	48,738
Electrical Distribution	4,604,897	4,629,997	4,434,483	195,514
Bad Debt Expense	25,000	25,000	23,200	1,800
Capital Outlay	388,120	409,120	249,181	159,939
Debt Service				
Principal Payments	60,500	60,500	60,440	60
Interest Payments	9,700	9,700	9,677	23
Total Expenditures	<u>5,123,417</u>	<u>5,204,517</u>	<u>4,798,443</u>	<u>406,074</u>
Excess Revenues Over (Under)				
Expenditures	2,621,993	2,567,293	3,139,687	572,394
OTHER FINANCING SOURCES (USES)				
Transfers Out	(5,096,900)	(5,959,900)	(5,959,149)	751
Total Other Financing Sources (Uses)	<u>(5,096,900)</u>	<u>(5,959,900)</u>	<u>(5,959,149)</u>	<u>751</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,474,907)	(3,392,607)	(2,819,462)	573,145
Net Position - Beginning, GAAP Basis	9,449,992	9,449,992	9,449,992	-
Prior Period Adjustment	(287,983)	(287,983)	(287,983)	-
Net Position - Beginning, GAAP Basis - As Restated	<u>9,162,009</u>	<u>9,162,009</u>	<u>9,162,009</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>6,687,102</u>	\$ <u>5,769,402</u>	6,342,547	\$ <u>573,145</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(104,624)	
Accrued Compensated Absences - The City does not budget for compensated leave			(21,280)	
Principal Payments - The City budgets for principal debt payments			60,440	
Capital Outlay - The City budgets for capital outlay			249,181	
Transfers of Capital Assets - The City does not budget for transfers of capital assets between business-type activities			(1,778,348)	
Net Position- Ending, GAAP Basis			\$ <u>4,747,916</u>	

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Water & Sewer Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Water Department	\$ 2,148,000	\$ 2,148,000	\$ 2,299,698	\$ 151,698
Wastewater	1,003,000	1,003,000	1,040,325	37,325
Interest Revenue	3,000	3,000	4,242	1,242
Grant Revenue	-	-	19,516	19,516
Reimbursed Expenses	-	3,410	5,324	1,914
Total Revenues	<u>3,154,000</u>	<u>3,157,410</u>	<u>3,369,105</u>	<u>211,695</u>
EXPENDITURES				
Water Department	1,637,695	1,418,105	1,182,761	235,344
Bad Debt Expense	8,000	8,000	13,100	(5,100)
Capital Outlay	1,161,035	1,998,514	1,337,876	660,638
Debt Service				
Principal Payments	493,000	493,000	492,436	564
Interest Payments	26,000	26,000	25,823	177
Total Expenditures	<u>3,325,730</u>	<u>3,943,619</u>	<u>3,051,996</u>	<u>891,623</u>
Excess Revenues Over (Under) Expenditures	(171,730)	(786,209)	317,109	1,103,318
OTHER FINANCING SOURCES (USES)				
Transfers In	1,867,000	2,840,000	2,839,249	(751)
Transfers Out	(530,000)	(530,000)	(530,000)	-
Total Other Financing Sources (Uses)	<u>1,337,000</u>	<u>2,310,000</u>	<u>2,309,249</u>	<u>(751)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,165,270	1,523,791	2,626,358	1,102,567
Net Position - Beginning, GAAP Basis	13,659,291	13,659,291	13,659,291	-
Prior Period Adjustment	(198,672)	(198,672)	(198,672)	-
Net Position - Beginning, GAAP Basis - As Restated	<u>13,460,619</u>	<u>13,460,619</u>	<u>13,460,619</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>14,625,889</u>	\$ <u>14,984,410</u>	16,086,977	\$ <u>1,102,567</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(584,046)	
Accrued Compensated Absences - The City does not budget for compensated leave			1,488	
Principal Payments - The City budgets for principal debt payments			492,436	
Capital Outlay - The City budgets for capital outlay			1,337,876	
Transfer of Capital Assets - The City does not budget for transfers of capital assets within business-type activities.			1,824,019	
Net Position - Ending, GAAP Basis			<u>\$ 19,158,750</u>	

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Gas Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Gas Distribution	\$ 1,125,000	\$ 1,220,000	\$ 1,239,083	\$ 19,083
Reimbursed Expenses	-	-	2,781	2,781
Total Revenues	<u>1,125,000</u>	<u>1,220,000</u>	<u>1,241,864</u>	<u>21,864</u>
EXPENDITURES				
Gas Department	784,843	854,843	802,228	52,615
Bad Debt Expense	3,000	3,000	2,750	250
Capital Outlay	16,460	189,860	169,482	20,378
Debt Service				
Principal Payments	68,000	68,000	67,886	114
Interest Payments	11,000	11,000	10,563	437
Total Expenditures	<u>883,303</u>	<u>1,126,703</u>	<u>1,052,909</u>	<u>73,794</u>
Excess Revenues Over (Under)				
Expenditures	241,697	93,297	188,955	95,658
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(427,000)</u>	<u>(427,000)</u>	<u>(427,000)</u>	-
Total Other Financing Sources (Uses)	<u>(427,000)</u>	<u>(427,000)</u>	<u>(427,000)</u>	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(185,303)	(333,703)	(238,045)	95,658
Net Position - Beginning, GAAP Basis	2,156,586	2,156,586	2,156,586	-
Prior Period Adjustment	<u>(213,101)</u>	<u>(213,101)</u>	<u>(213,101)</u>	-
Net Position - Beginning, GAAP Basis - As Restated	<u>1,943,485</u>	<u>1,943,485</u>	<u>1,943,485</u>	-
Net Position - Ending, Budgetary Basis	\$ <u>1,758,182</u>	\$ <u>1,609,782</u>	\$ 1,705,440	\$ <u>95,658</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(116,904)	
Accrued Compensated Absences - The City does not budget for compensated leave			(4,569)	
Principal Payments - The City budgets for principal debt payments			67,886	
Capital Outlay - The City budgets for capital outlay			169,482	
Transfer of Capital Assets - The City does not budget for transfers of capital assets within business-type activities.			-	
Net Position - Ending, GAAP Basis			\$ <u>1,821,335</u>	

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Solid Waste Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Solid Waste	\$ 1,012,000	\$ 1,012,000	\$ 1,037,139	\$ 25,139
Street Sanitation	74,000	74,000	75,223	1,223
Interest Revenue	-	-	7,885	7,885
Reimbursed Expenses	-	-	50	50
Total Revenues	<u>1,086,000</u>	<u>1,086,000</u>	<u>1,120,297</u>	<u>34,297</u>
EXPENDITURES				
Solid Waste	929,795	933,795	874,706	59,089
Street Sanitation	43,260	43,260	25,148	18,112
Bad Debt Expense	5,000	5,000	4,210	790
Capital Outlay	-	25,000	21,436	3,564
Debt Service				
Principal Payments	82,500	82,500	82,126	374
Interest Payments	11,050	11,050	10,981	69
Total Expenditures	<u>1,071,605</u>	<u>1,100,605</u>	<u>1,018,607</u>	<u>81,998</u>
Excess Revenues Over (Under) Expenditures	14,395	(14,605)	101,690	116,295
OTHER FINANCING SOURCES (USES)				
Gain (Loss) on the Sale of Capital Assets	-	-	35,100	35,100
Transfers Out	(215,000)	(215,000)	(214,995)	5
Total Other Financing Sources (Uses)	<u>(215,000)</u>	<u>(215,000)</u>	<u>(179,895)</u>	<u>35,105</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(200,605)	(229,605)	(78,205)	151,400
Net Position - Beginning, GAAP Basis	698,975	698,975	698,975	-
Prior Period Adjustment	(10,224)	(10,224)	(10,224)	-
Net Position - Beginning, GAAP Basis - As Restated	<u>688,751</u>	<u>688,751</u>	<u>688,751</u>	
Net Position - Ending, Budgetary Basis	\$ <u>488,146</u>	\$ <u>459,146</u>	610,546	\$ <u>151,400</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(106,665)	
Accrued Compensated Absences - The City does not budget for compensated leave			(6,967)	
Principal Payments- The City budgets for principal debt payments			82,126	
Capital Outlay - The City budgets for capital outlay.			21,436	
Net Position - Ending, GAAP Basis			\$ <u>600,476</u>	

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Utility Support Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Utility Support	\$ 210,800	\$ 208,800	\$ 220,606	\$ 11,806
Interest Revenue	500	500	498	(2)
Reimbursed Expenses	-	-	1,018	1,018
Total Revenues	<u>211,300</u>	<u>209,300</u>	<u>222,122</u>	<u>12,822</u>
EXPENDITURES				
Administration	164,500	172,300	153,202	19,098
Meter Shop	61,781	62,056	56,090	5,966
Billing-Collection	256,205	250,630	221,150	29,480
Bad Debt Expense	5,000	5,000	4,400	600
Capital Outlay	38,000	35,500	18,015	17,485
Debt Service				
Principal Payments	5,600	5,600	5,586	14
Interest Payments	160	160	159	1
Total Expenditures	<u>531,246</u>	<u>531,246</u>	<u>458,602</u>	<u>72,644</u>
Excess of Revenues Over (Under) Expenditures	(319,946)	(321,946)	(236,480)	85,466
OTHER FINANCING SOURCES (USES)				
Transfers In	298,400	298,400	298,400	-
Total Other Financing Sources (Uses)	<u>298,400</u>	<u>298,400</u>	<u>298,400</u>	<u>-</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(21,546)	(23,546)	61,920	85,466
Net Position - Beginning, GAAP Basis	<u>2,507,101</u>	<u>2,507,101</u>	<u>2,507,101</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>2,485,555</u>	\$ <u>2,483,555</u>	2,569,021	\$ <u>85,466</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(110,733)	
Accrued Compensated Absences - The City does not budget for compensated leave			(5,882)	
Principal Payments- The City budgets for principal debt payments			5,586	
Capital Outlay - The City budgets for capital outlay.			18,015	
Net Position - Ending, GAAP Basis			\$ <u>2,476,007</u>	

CITY OF BRADY, TEXAS
Notes to the Budgetary Comparison Schedules
Proprietary Funds
September 30, 2018

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 City Manager 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 City Manager 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 Manager and Finance Director 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, 2018.

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Economic Development Corporation
Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
General Revenues				
Sales Tax Collections	\$ 220,000	\$ 220,000	\$ 264,653	\$ 44,653
Interest Income	4,000	4,000	10,368	6,368
Loan Income	6,621	6,621	8,685	2,064
Reimbursed Expenses	-	-	15	15
Charges for Services				
Rent Income	7,721	7,721	10,521	2,800
Total Revenues	<u>238,342</u>	<u>238,342</u>	<u>294,242</u>	<u>55,900</u>
EXPENDITURES				
Current				
Marketing	25,000	25,000	22,675	2,325
Professional/Legal Fees	1,000	1,000	444	556
Contract for Services	90,000	90,000	90,000	-
Community Development	55,000	65,964	66,163	(199)
Annual Land Lease	250	250	250	-
Travel and Training	14,000	13,850	9,290	4,560
Membership Dues and Fees	1,000	1,150	1,115	35
Insurance	100	100	-	100
Office Supplies	250	150	33	117
Office Equipment	250	250	-	250
Meeting Provisions	300	400	383	17
Building Repairs & Maintenance	1,000	1,000	-	1,000
Debt Service				
Principal Payments	30,000	30,000	30,000	-
Total Expenditures	<u>218,150</u>	<u>229,114</u>	<u>220,353</u>	<u>8,761</u>
Excess of Revenues Over (Under)				
Expenditures	20,192	9,228	73,889	64,661
Other Financing Sources (Uses)				
Transfers In/Out	-	-	(73,078)	(73,078)
Net Position - Beginning	784,360	784,360	784,360	-
Prior Period Adjustment	-	-	62,113	-
Net Position - Beginning (as Restated)	<u>784,360</u>	<u>784,360</u>	<u>846,473</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>804,552</u>	\$ <u>793,588</u>	847,284	\$ <u>(8,417)</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			(8,685)	
Interest Income - The EDC normally budgets for interest income related to notes receivable			6,684	
Debt Service - The EDC normally budgets for debt service			24,833	
Net Position - Ending, GAAP Basis			\$ <u>849,645</u>	

CITY OF BRADY, TEXAS
Notes to the Budgetary Comparison Schedules
Economic Development Corporation
September 30, 2018

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 and approved by City Council based on EDC recommendation before year end. The budget was amended during the fiscal year ending September 30, 2018.

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 EDC Director or EDC President may transfer when cumbered appropriations within programs within funds. Appropriation control (the budgeted appropriations approved by the Board of Directors and City Council) is by program within a fund. The Board of Directors may transfer amounts among programs within and between funds with City Council approval. 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, 2018.

CITY OF BRADY, TEXAS
Single Audit Compliance Information
Schedule of Expenditures of Federal and State Awards
September 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	State Expenditures
U.S. Department of Health and Human Services				
Passed Through the Concho Valley Council of Governments				
Title III, Part B - Nutrition Services	93.045	N/A	\$ 31,817	\$ -
Nutrition Services Incentive Program	93.053	N/A	40,110	-
Total U.S. Department of Health and Human Services			<u>71,927</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	LF1000019	16,261	-
Capitalization Grants For Clean Water State Revolving Funds - Loan Forgiveness	66.458	#L1000011	673,024	-
Capitalization Grants For Drinking Water State Revolving Funds - Grant	66.568	GT #G1000424	245,983	-
Total U.S. Environmental Protection Agency			<u>935,268</u>	<u>-</u>
Total Federal Awards Expended			<u>1,007,195</u>	<u>-</u>
State Grantor/Program or Grant Title				
Texas Department of Transportation				
RAMP Grant	N/A	M1823BRAD	-	34,441
AWOS System		17AWBRADY	-	73,088
Master Plan Development		1723BRADY	-	113,881
Total Texas Department of Transportation			<u>-</u>	<u>221,410</u>
Texas Parks and Wildlife Department				
BRADY Richards Park III	N/A	50-000464	-	38,656
BRADY Willie Washington Park	N/A	54-000159	-	2,052
Total Texas Parks and Wildlife Department			<u>-</u>	<u>40,708</u>
Texas Department of Agriculture				
Home-Delivered Meal Grant Program	N/A	HDM-18-3213	-	3,346
Total Texas Department of Agriculture			<u>-</u>	<u>3,346</u>
Total State Awards Expended			<u>-</u>	<u>265,464</u>
Total Federal and State Awards Expended			<u>\$ 1,007,195</u>	<u>\$ 265,464</u>

CITY OF BRADY, TEXAS
Single Audit Compliance Information
Notes to the Schedule of Expenditures of Federal and State Awards
September 30, 2018

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, 2018. 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.

The City did not elect to use the 10% de minimus indirect cost rate.

Note C – Loans Outstanding

City of Brady had the following loan balances outstanding at September 30, 2018. 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	\$ 210,000
Capitalization Grants for Clean Water State Revolving Funds	66.458	#L1000011	\$ 750,000

CITY OF BRADY, TEXAS
Single Audit Compliance Information
Schedule of Findings and Questioned Costs
September 30, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements	
Type of Auditor's Report Issued on Financial Statements	Unmodified
Internal Control over Financial Reporting:	
Material Weakness	None
Significant Deficiencies Identified that are not Considered to be Material	None
Noncompliance Material to Financial Statements	None
Federal Awards	
Internal Control over Major Programs:	
Material Weakness	None
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
September 30, 2018

No prior year findings.



**Haynie &
Company**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brady, Texas (the City), increase as of and for the year ended September 30, 2018, 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, 2019.

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.

Haynie & Co.

San Antonio, Texas
April 12, 2019



Certified Public Accountants (a professional corporation)

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Brady, Texas (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2018. 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, 2018.

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.

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

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

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

Haynie & Co.

San Antonio, Texas
April 12, 2019