

CITY OF BRADY, TEXAS

Annual Financial Report

September 30, 2020

Table of Contents

	<u>Page</u>
Introductory Section	
City Officials.....	1
Financial Section	
Independent Auditor's Report.....	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	20
Statement of Activities.....	21
Fund Financial Statements	
Balance Sheet – Governmental Funds	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	27
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Funds.....	33
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	35
Statement of Cash Flows – Proprietary Funds.....	37
Discretely Presented Component Unit Financial Statements	
Statement of Net Position	40
Statement of Activities.....	41
Notes to the Financial Statements.....	43

TABLE OF CONTENTS**Page****Required Supplemental Information**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
General Fund.....	93
Water Construction Fund.....	95
WWTP Construction Fund	96
Special Revenue Fund.....	97
Cemetery Fund.....	98
Hotel/ Motel Fund.....	99
Special Purpose Fund.....	100
Notes to the Budgetary Comparison Schedules.....	101
Schedule of Changes in Net Pension Liability and Related Ratios – Last 10 Years	102
Schedule of Changes in Postemployment Benefits Other Than Pensions (OPEB) Liability and Related Ratios – Last 10 Years	103

Supplemental Section

Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Proprietary Funds	
Electric	104
Water & Sewer.....	105
Gas	106
Solid Waste	107
Street Sanitation	108
Utility Support	109
Notes to the Budgetary Comparison Schedules.....	110
Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual – Economic Development Corporation	
Economic Development Corporation	111
Notes to the Budgetary Comparison Schedules.....	112

	<u>Page</u>
TABLE OF CONTENTS	
Single Audit Compliance Information	
Schedule of Expenditures of Federal and State Awards	113
Notes to the Schedule of Expenditures of Federal and State Awards.....	114
Schedule of Findings and Questioned Costs.....	115
Summary Schedule of Prior Audit Findings	116
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 <i>Government Auditing Standards</i>	117
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	119

INTRODUCTORY SECTION

CITY OF BRADY, TEXAS

City Officials

Anthony Groves Mayor
Jane Huffman Mayor Pro-Tem
Missi Elliston Council Member
Jeffrey Sutton Council Member
Rey Garza Council Member
Jay May Council Member
Dennis Jobe City Manager
Lisa McElrath Director of Finance

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brady, Texas (the City), as of and for the year ended September 30, 2020, 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 unit, each major fund, and the aggregate remaining fund information of the City of Brady, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the governmental funds budgetary comparison information, the Schedule of Changes in Net Pension Liability and Related Ratios – Last 10 Years, and the Schedule of Changes in Postemployment Benefits Other than Pensions Liability and Related Ratios – Last 10 Years on pages 93-103, 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)

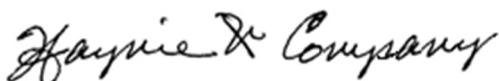
Other Information

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, 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 March 23, 2021, 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.



San Antonio, Texas
March 23, 2021

CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

This section of the City of Brady, Texas (the City) and Brady Economic Development Corporation 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, 2020. 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, 2020 by \$69,662,591 . Of this amount \$13,948,754 or 20.0% 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 \$5,412,796 during the year.
- The total cost of all the City's programs was \$19,152,217 , representing a slight increase from last year by \$275,346 or 1.4%.
- During the year, the City had operating expenses of \$8,863,131 for governmental activities, which was \$2,136,881 less than the \$6,726,250 generated in program and general revenues. Once budgeted transfers from business-type activities of \$2,720,000 are recognized, governmental net position reflects an increase of 1.7% as compared to prior year.
- The City's business-type activities, after transfers to the general fund, reflect an increase in business-type net assets by \$4,829,680 .
- The City reduced its total long-term debt obligations by \$531,891 or 2%. All repayment terms are current.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis

September 30, 2020

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:

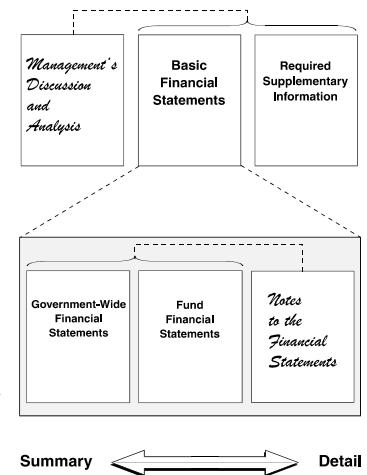
- The first statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations 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.

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.

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



CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

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, Street Sanitation 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 2019, as its net position increased by \$5,412,796 or 7.8%. The largest part of the City's net position reflects its investment in capital assets (land, buildings and improvements, infrastructure assets, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

Statement of Net Position (continued)

Approximately 89% 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 \$3,899,861 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the fiscal year, the City can 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 \$69,662,591 as of September 30, 2020. The City's total unrestricted net position of \$13,948,754 , the amount that can be used to finance day-to-day operations, increased by 14.0% compared to last year's balance.

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CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

The following reflects a comparative condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Units	
	2020	2019	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 4,284,501	\$ 3,269,756	\$ 11,237,229	\$ 9,671,180	\$ 15,521,730	\$ 12,940,936	\$ 588,914	\$ 601,685
Capital and Other Long-term Assets	<u>54,900,514</u>	<u>54,522,301</u>	<u>29,723,671</u>	<u>26,489,171</u>	<u>84,624,185</u>	<u>81,011,472</u>	<u>133,029</u>	<u>101,975</u>
Total Assets	<u>59,185,015</u>	<u>57,792,057</u>	<u>40,960,900</u>	<u>36,160,351</u>	<u>100,145,915</u>	<u>93,952,408</u>	<u>721,943</u>	<u>703,660</u>
Deferred Pension Related Outflows	-	397,836	-	173,480	-	571,316	-	-
Deferred OPEB Related Outflows	13,122	-	5,541	-	18,663	-	-	-
Total Deferred Outflows	<u>13,122</u>	<u>397,836</u>	<u>5,541</u>	<u>173,480</u>	<u>18,663</u>	<u>571,316</u>	<u>-</u>	<u>-</u>
Current Liabilities	1,545,507	652,204	1,270,852	1,155,946	2,816,359	1,808,150	-	-
Non-Current Liabilities	<u>22,104,363</u>	<u>23,381,343</u>	<u>4,877,566</u>	<u>5,391,546</u>	<u>26,981,929</u>	<u>28,772,889</u>	<u>679,166</u>	<u>679,166</u>
Total Liabilities	<u>23,649,870</u>	<u>24,033,547</u>	<u>6,148,418</u>	<u>6,547,492</u>	<u>29,798,288</u>	<u>30,581,039</u>	<u>679,166</u>	<u>679,166</u>
Deferred Pension Related Inflows	494,744	-	208,955	-	703,699	-	-	-
Deferred OPEB Related Inflows	-	15,942	-	6,951	-	22,893	-	-
Total Deferred Inflows	<u>494,744</u>	<u>15,942</u>	<u>208,955</u>	<u>6,951</u>	<u>703,699</u>	<u>22,893</u>	<u>-</u>	<u>-</u>
Net Position:								
Net Investment in Capital Assets	-	8,916,954	24,103,554	19,934,616	24,103,554	28,851,570	62,729	64,905
Restricted	31,153,662	22,127,626	456,621	1,032,529	31,610,283	23,160,155	-	-
Unrestricted	3,899,861	3,425,824	10,048,893	8,812,246	13,948,754	12,238,070	(19,952)	(40,411)
TOTAL NET POSITION	\$ 35,053,523	\$ 34,470,404	\$ 34,609,068	\$ 29,779,391	\$ 69,662,591	\$ 64,249,795	\$ 42,777	\$ 24,494

CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

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 Units	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenues								
Program Revenues:								
Charges for Services	\$ 3,509,660	\$ 3,713,887	\$ 14,135,527	\$ 13,319,850	\$ 17,645,187	\$ 17,033,737	\$ 7,078	\$ 507,612
Grants and Contributions	367,877	22,866,142	3,551,232	-	3,919,109	22,866,142	-	-
General Revenues:								
Property Taxes	931,594	932,437	-	-	931,594	932,437	-	-
Sales Taxes	1,226,764	1,210,521	-	-	1,226,764	1,210,521	240,405	237,305
Other Taxes	246,101	235,517	-	-	246,101	235,517	-	-
Investment Earnings	430,533	635,249	152,007	21,645	582,540	656,894	9,849	14,889
Other Revenue	2,825	6,403	-	-	2,825	6,403	-	1,000
Gain(Loss) on Disposal of Assets	10,614	1,286	-	85	10,614	1,371	-	(590)
Donated Assets	282	107	-	-	282	107	-	-
TOTAL REVENUES	6,726,250	29,601,549	17,838,766	13,341,580	24,565,016	42,943,129	257,332	760,216
Expenses								
Utility Enterprises	-	-	10,289,086	10,488,472	10,289,086	10,488,472	-	-
General Government	1,250,323	1,875,368	-	-	1,250,323	1,875,368	-	-
Public Safety	4,013,369	3,188,814	-	-	4,013,369	3,188,814	-	-
Streets	775,484	755,462	-	-	775,484	755,462	-	-
Recreation and Leisure	1,966,660	1,791,166	-	-	1,966,660	1,791,166	-	-
Community Development	530,937	504,354	-	-	530,937	504,354	-	-
Cemetery	63,439	35,859	-	-	63,439	35,859	-	-
Hotel/Motel	224,176	202,839	-	-	224,176	202,839	-	-
Interest and Amortization	38,743	34,537	-	-	38,743	34,537	-	-
Component Units	-	-	-	-	-	-	239,049	691,238
TOTAL EXPENSES	8,863,131	8,388,399	10,289,086	10,488,472	19,152,217	18,876,871	239,049	691,238
Excess (Deficiency) before Transfers	(2,136,881)	21,213,150	7,549,680	2,853,108	5,412,799	24,066,258	18,283	68,978
Transfers	2,720,000	2,021,009	(2,720,000)	(1,806,046)	-	214,963	-	(214,963)
Increase (Decrease) in Net Position	583,119	23,234,159	4,829,680	1,047,062	5,412,799	24,281,221	18,283	(145,985)
Net Position - Beginning	34,470,404	10,936,545	29,779,388	28,804,484	64,249,792	39,741,029	24,494	849,645
Prior Period Adjustments	-	299,700	-	(72,155)	-	227,545	-	(679,166)
Net Position - Beginning as Restated	34,470,404	11,236,245	29,779,388	28,732,329	64,249,792	39,968,574	24,494	170,479
Net Position - Ending	\$ 35,053,523	\$ 34,470,404	\$ 34,609,068	\$ 29,779,391	\$ 69,662,591	\$ 64,249,795	\$ 42,777	\$ 24,494

CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

Total Primary Government Activities

Overall, total primary government revenues for fiscal year 2020 were less than fiscal year 2019 by \$18,378,113 or 42.8%. During fiscal year 2019, the City received grants for the construction of the City's Clean Water and Drinking Water projects totaling \$22,325,000. No such grants were received during fiscal year 2020, resulting in a more typical revenue number.

Overall, total primary government expenditures increased by \$275,346 or 1.5%; primarily as the result of an increase in recreation and leisure costs which increased by \$175,494 .

Governmental Activities

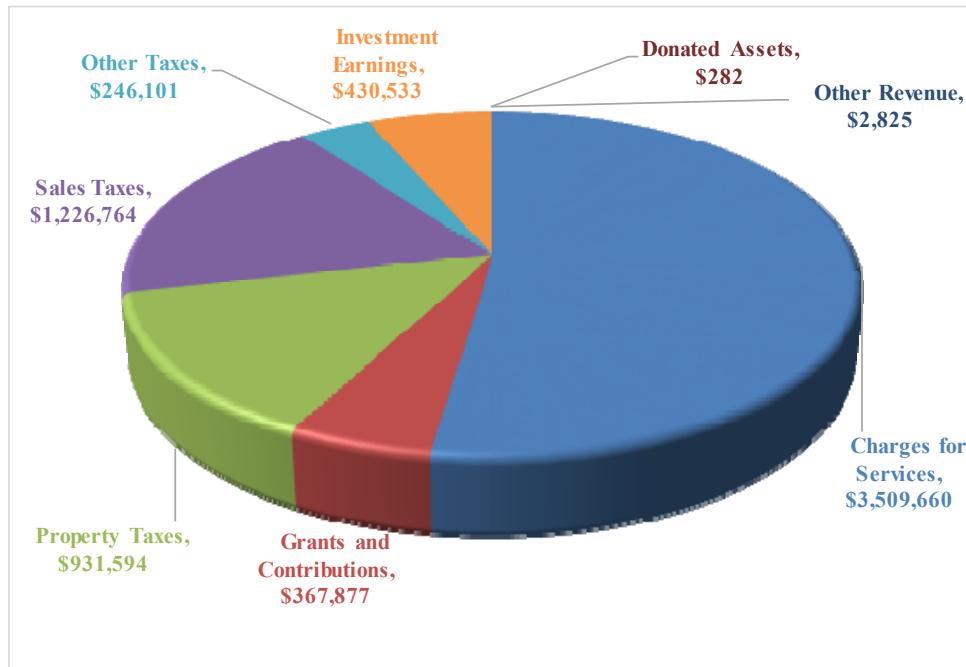
The result of fiscal year 2020 governmental activity records an increase in net position of \$583,119 , after a \$2,720,000 transfer from proprietary funds, in net position, to \$35,053,523 . Of the total governmental activities' net position, \$31,153,662 is restricted, and \$3,899,861 is unrestricted, that is, having no legal commitment.

Governmental activities reflect a 77.3% decrease or \$22,875,299 in total revenues. The majority of the decrease came from grants and contributions received during fiscal year 2019.

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CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

Revenues – Governmental Activities Fiscal Year Ending September 30, 2020



For fiscal year 2020, the majority of governmental revenues were derived from four revenue sources: charges for services, sales and other taxes, property taxes, and grants/contributions. Collectively, they provided for 93.4% of the governmental program revenues mix.

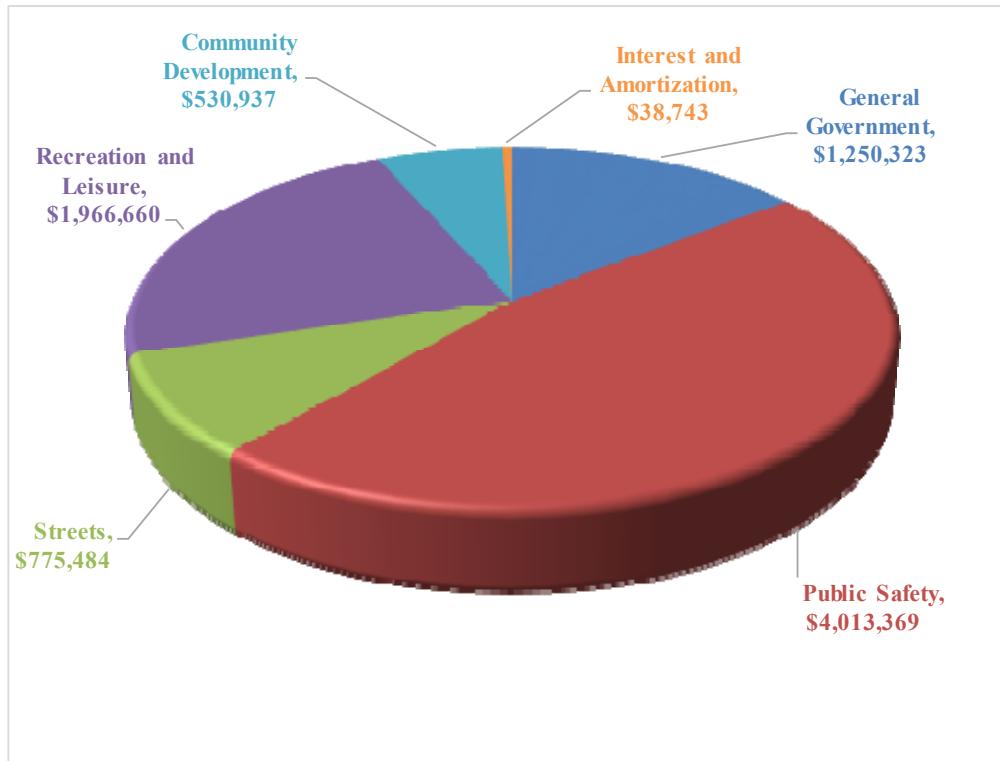
Charges for services are fee collections set by the City Council for specific activities by the end-user. Airport services make up \$264,907 or 8% of the \$3,509,660 total amount collected for services this year. Fuel sales at \$99,209 to the military continue to comprise a significant portion of the airport revenues. EMS services generated \$397,684 or 11% of the total dollars charged for services this year. The lake department generated rental fees and donations in the amount of \$260,904 or 7% 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 26% of total service charge revenues.

The City received \$1,226,764 in sales tax revenues, which is a 1% increase from last year's total collections. Included in other taxes are hotel occupancy tax collections of \$219,449 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 2019 values; and collected \$931,594 in property tax revenue. Two cents (\$0.02), or \$46,788 of the tax rate is dedicated to cemetery maintenance.

CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

Expenses – Governmental Activities Fiscal Year Ending September 30, 2020



The relative mix of governmental expenditure activities remains similar to last fiscal year. Public safety and general government continue to be the largest governmental activities expending, \$4,013,369 and \$1,966,660 , respectively, of the \$8,863,131 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 remaining 33% of expenditures is closely divided among recreation and leisure costs totaling \$1,250,323 , community development totaling \$530,937 , street maintenance totaling \$775,484 , and interest and amortization totaling \$38,743 .

CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

Business-Type Activities

The business-type activities increased the City's net position by \$4,829,680 .

Of the total business-type activities' net position, \$24,103,554 is invested in capital assets, net of related debt, and \$10,048,893 is unrestricted, that is, having no legal commitment. In addition, it maintains a restricted fund balance of \$456,621 .

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

The cost of all business-type activities this year decreased by 1.90% to \$10,289,086 . As shown in the statement of activities, the amounts charged to users of the utility services totaled \$14,135,527 and are 6% or \$815,677 more than last fiscal year. Factors that contributed to the increase in revenues was primarily due from weather conditions and increase in rates. Additional revenue sources included investment earnings of \$152,007 . In total, excess revenues over expenditures for the year was \$7,549,680 .

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 \$2,720,000 were posted this fiscal year to provide for the City's governmental program costs.

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CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

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 39 of the annual financial statements, provide detailed information about the most significant funds. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

FUND FINANCIAL STATEMENT ANALYSIS

Governmental Type Funds

The City reports a combined governmental fund balance of \$47,617,030, reflecting an increase of \$633,886 in comparison with the previous year. The increase in fund balance resulted from increased revenues and controlled expenditures. Revenues experienced strong sales tax collections and recreational activity fees. Additionally, all emergency services finished the budget year significantly below expectations. The City was a recipient of a \$308,000 from the federally funded CARES Act.

Unassigned governmental fund balance equals \$4,089,637 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 six 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 2020 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, at September 30, 2020, and additional information is presented in the basic financial statements and the notes to the financial statements.

CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

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, 2020 is \$38,162,133, net of accumulated depreciation. The majority, 77%, of the City's capital assets is invested in buildings, improvements, and infrastructure. The following is a summary statement of the City's capital assets as of September 30, 2020:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Units	
	2020	2019	2020	2019	2020	2019	2020	2019
Land	\$ 756,484	\$ 756,484	\$ 154,730	\$ 154,730	\$ 911,214	\$ 911,214	\$ 12,803	\$ 12,803
Buildings	7,331,124	7,331,124	15,627,493	15,627,493	22,958,617	22,958,617	53,868	53,868
Equipment	2,893,272	2,697,978	3,003,836	2,984,890	5,897,108	5,682,868	-	-
Vehicles	1,443,519	1,281,031	906,498	884,316	2,350,017	2,165,347	-	-
Infrastructure	13,141,818	12,325,255	20,012,136	15,219,170	33,153,954	27,544,425	-	-
Construction in Progress	1,663,268	1,780,752	5,504,792	5,666,992	7,168,060	7,447,744	-	-
Less:								
Accumulated Depreciation	(16,979,924)	(16,010,373)	(17,296,913)	(16,308,345)	(34,276,837)	(32,318,718)	(3,942)	(1,766)
Total	\$ 10,249,561	\$ 10,162,251	\$ 27,912,572	\$ 24,229,246	\$ 38,162,133	\$ 34,391,497	\$ 62,729	\$ 64,905

Debt Administration

At September 30, 2020, the City's total bonds, notes and capital leases outstanding reflect a decrease of \$531,891 compared to prior year. All scheduled payments were met according to terms.

Debt Administration (continued)

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, 2020:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2020	2019	2020	2019	2020	2019	2020	2019
General Obligation Refunding Bonds	\$ 411,600	\$ 607,600	\$ 8,400	\$ 12,400	\$ 420,000	\$ 620,000	\$ -	\$ -
Certificates of Obligations	21,265,000	21,265,000	2,960,000	3,325,000	24,225,000	24,590,000	-	-
Notes to Financial Institutions	-	-	546,373	777,559	546,373	777,559	-	-
Equipment Capital Leases	679,316	637,725	402,375	179,671	1,081,691	817,396	-	-
Total Bonds, Notes, and Capital Leases	\$ 22,355,916	\$ 22,510,325	\$ 3,917,148	\$ 4,294,630	\$ 26,273,064	\$ 26,804,955	\$ -	\$ -

CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

Total compensated absences for Governmental Funds are \$136,407 and \$143,920 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 \$582,288 and total expenditures were under budget by \$1,107,386 , resulting in a net variance to the final budget of \$1,689,674 before transfers.

The original revenue projections for the general fund budget were increased at the mid-year budget review by \$16,349 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 \$650,101 . Council, at the routine request of staff, amends the original budget in October to roll over incomplete capital projects/purchases approved in the fiscal year. Overall, year-end actual performance was more than the final budget numbers, as operational cost projections did not fully materialize.

CITY OF BRADY, TEXAS
Management's Discussion and Analysis
September 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials considered many factors when setting the fiscal year 2021 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 recreational activities. 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. This fact has prompted staff and City Council to review 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 has been acquired and plans for construction will begin in fiscal year 2020. Rate increases for the water system were adopted to support these capital costs. Council also approved a rate increase for the commercial dumpster trash service to support Solid Waste operational costs.

These factors were considered when adopting the General Fund budget for fiscal year 2020. Council adopted utility rate increases for the electric, and sanitation distribution systems. Cost efficiencies to support the fiscal year 2021 Budget were prompted by limiting capital expenditures. The Council adopted a balanced budget to ensure a stable fund balance position is maintained.

Request for Information

The 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 of additional financial information should be addressed to the Director of Finance, Lisa McElrath or Dennis Jobe at City of Brady 201 East Main, 325-597-2152.

Financial Statements

CITY OF BRADY, TEXAS
Statement of Net Position
September 30, 2020

	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business-Type Activities	TOTAL	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 3,802,514	\$ 10,303,940	\$ 14,106,454	553,686
Receivables, Net of Allowances	452,364	808,888	1,261,252	20,117
Inventory	29,623	124,401	154,024	-
Note Receivable, Current Portion	-	-	-	15,111
Total Current Assets	<u>4,284,501</u>	<u>11,237,229</u>	<u>15,521,730</u>	<u>588,914</u>
Noncurrent Assets				
Restricted Cash and Cash Equivalents	43,971,787	1,811,099	45,782,886	-
Note Receivable, Non-Current Portion	679,166	-	679,166	70,300
Land	756,484	154,730	911,214	12,803
Construction in Progress	1,663,268	5,504,792	7,168,060	-
Property and Equipment, Net of Depreciation	7,829,809	22,253,050	30,082,859	49,926
Total Noncurrent Assets	<u>54,900,514</u>	<u>29,723,671</u>	<u>84,624,185</u>	<u>133,029</u>
Total Assets	<u>59,185,015</u>	<u>40,960,900</u>	<u>100,145,915</u>	<u>721,943</u>
DEFERRED OUTFLOWS				
Deferred Other Postemployment Benefits Related Outflows	13,122	5,541	18,663	-
Total Deferred Outflows	<u>13,122</u>	<u>5,541</u>	<u>18,663</u>	<u>-</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	586,858	536,626	1,123,484	-
Accrued Expenses	4,400	-	4,400	-
Interest Payable	1,247	5,601	6,848	-
Other Payables	-	14,464	14,464	-
Bonds, Notes, and Leases Payable	953,002	714,161	1,667,163	-
Total Current Liabilities	<u>1,545,507</u>	<u>1,270,852</u>	<u>2,816,359</u>	<u>-</u>
Noncurrent Liabilities				
Accrued Compensated Absences	136,407	143,920	280,327	-
Landfill Closure	-	584,337	584,337	-
Customer Deposits	-	707,679	707,679	-
Net Pension Liability	360,609	152,301	512,910	-
Other Postemployment Benefit Liability	204,433	86,342	290,775	-
Bonds, Notes, and Leases Payable	21,402,914	3,202,987	24,605,901	679,166
Total Noncurrent Liabilities	<u>22,104,363</u>	<u>4,877,566</u>	<u>26,981,929</u>	<u>679,166</u>
Total Liabilities	<u>23,649,870</u>	<u>6,148,418</u>	<u>29,798,288</u>	<u>679,166</u>
DEFERRED INFLOWS				
Deferred Pension Related Inflows	494,744	208,955	703,699	-
Total Deferred Inflows	<u>494,744</u>	<u>208,955</u>	<u>703,699</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	-	24,103,554	24,103,554	62,729
Restricted	31,153,662	456,621	31,610,283	-
Unrestricted	3,899,861	10,048,893	13,948,754	(19,952)
Total Net Position	<u>\$ 35,053,523</u>	<u>\$ 34,609,068</u>	<u>\$ 69,662,591</u>	<u>\$ 42,777</u>

CITY OF BRADY, TEXAS
Statement of Activities
September 30, 2020

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Administration	\$ 689,333	\$ 1,856,990	\$ -	\$ -
Airport	564,696	264,907	-	12,566
Public Property Maintenance	557,614	39,794	12,459	-
Mayor and Council	31,561	-	-	-
Golf Course	414,902	104,325	4,641	-
Swimming Pool	82,606	7,412	-	-
Fire Department	361,286	2,125	-	-
Police Department	1,125,123	16,730	1,000	-
Emergency Operations	73,090	321,752	-	-
Communications	170,721	-	-	-
Community Services Administration	74,680	7,500	-	-
Street Department	775,484	22,161	-	-
Civic Center	89,202	17,400	-	-
Municipal Court	133,137	81,366	-	-
Community Services	54,895	-	-	-
Repair Shop	73,273	-	-	-
Animal Control	133,519	1,255	-	-
EMS	1,707,877	397,684	-	-
Lake Department	251,587	260,904	-	-
Cemetery Maintenance	63,439	46,788	-	-
Hotel/Motel	224,176	-	-	-
Financial Administration	311,434	4,961	-	-
Building Inspection and Permits	302,398	35,038	-	-
G. Rollie White Complex	6,053	-	-	-
Purchasing	70,042	-	-	-
Special Revenue Fund	476,042	20,568	337,211	-
Water & Sewer Construction	-	-	-	-
Gain/Loss on Disposal of Assets	6,218	-	-	-
Interest on Long-Term Debt	38,743	-	-	-
Total Governmental Activities	<u>8,863,131</u>	<u>3,509,660</u>	<u>355,311</u>	<u>12,566</u>
Business-Type Activities				
Electric	4,693,240	7,477,384	-	1,152,572
Water & Sewer	2,623,370	4,261,964	-	1,509,667
Gas	1,008,837	921,191	-	888,993
Solid Waste	1,212,178	1,198,003	-	-
Street Sanitation	79,942	73,881	-	-
Utility Support	671,519	203,104	-	-
Total Business-Type Activities	<u>10,289,086</u>	<u>14,135,527</u>	<u>-</u>	<u>3,551,232</u>
Total Primary Government	<u>\$ 19,152,217</u>	<u>\$ 17,645,187</u>	<u>\$ 355,311</u>	<u>\$ 3,563,798</u>
Total Component Unit	<u>\$ 239,049</u>	<u>\$ 7,078</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF BRADY, TEXAS
Statement of Activities (Continued)
September 30, 2020

Net (Expense) Revenue and Changes in Net Position				Total Component Units	
Governmental Activities	Business-Type Activities	Total			
\$ 1,167,657	\$ -	\$ 1,167,657	\$ -		
(287,223)	-	(287,223)			
(505,361)	-	(505,361)			
(31,561)	-	(31,561)			
(305,936)	-	(305,936)			
(75,194)	-	(75,194)			
(359,161)	-	(359,161)			
(1,107,393)	-	(1,107,393)			
248,662	-	248,662			
(170,721)	-	(170,721)			
(67,180)	-	(67,180)			
(753,323)	-	(753,323)			
(71,802)	-	(71,802)			
(51,771)	-	(51,771)			
(54,895)	-	(54,895)			
(73,273)	-	(73,273)			
(132,264)	-	(132,264)			
(1,310,193)	-	(1,310,193)			
9,317	-	9,317			
(16,651)	-	(16,651)			
(224,176)	-	(224,176)			
(306,473)	-	(306,473)			
(267,360)	-	(267,360)			
(6,053)	-	(6,053)			
(70,042)	-	(70,042)			
(118,263)	-	(118,263)			
-	-	-			
(6,218)	-	(6,218)			
(38,743)	-	(38,743)			
<u>(4,985,594)</u>	<u>-</u>	<u>(4,985,594)</u>			
-	3,936,716	3,936,716			
-	3,148,261	3,148,261			
-	801,347	801,347			
-	(14,175)	(14,175)			
	(6,061)	(6,061)			
<u>-</u>	<u>(468,415)</u>	<u>(468,415)</u>			
	<u>7,397,673</u>	<u>7,397,673</u>			
<u>\$ (4,985,594)</u>	<u>\$ 7,397,673</u>	<u>\$ 2,412,079</u>	<u>\$ -</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (231,971)</u>		
931,594	-	931,594			
1,226,764	-	1,226,764		240,405	
20,931	-	20,931		-	
5,721	-	5,721		-	
219,449	-	219,449		-	
430,533	152,007	582,540		9,849	
2,825	-	2,825		-	
10,614	-	10,614		-	
282	-	282		-	
<u>2,720,000</u>	<u>(2,720,000)</u>	<u>-</u>			
<u>5,568,713</u>	<u>(2,567,993)</u>	<u>3,000,720</u>		<u>250,254</u>	
583,119	4,829,680	5,412,799		18,283	
34,470,404	29,779,388	64,249,792		24,494	
<u>\$ 35,053,523</u>	<u>\$ 34,609,068</u>	<u>\$ 69,662,591</u>		<u>\$ 42,777</u>	

CITY OF BRADY, TEXAS
Balance Sheet – Governmental Funds
September 30, 2020

	General Fund	Capital Projects Funds	
		Water	WWTP
		Construction Fund	Construction Fund
ASSETS			
Cash and Cash Equivalents	\$ 3,824,876	\$ 29,036,692	\$ 14,533,328
Receivables, Net of Allowances:			
Property Taxes	59,525	-	-
Accounts Receivables	325,377	-	-
Inventory	29,623	-	-
Total Assets	\$ <u>4,239,401</u>	\$ <u>29,036,692</u>	\$ <u>14,533,328</u>
LIABILITIES			
Accounts Payable	\$ 45,379	\$ 466,773	\$ 18,658
Accrued Expenses	4,400	-	-
Total Liabilities	\$ <u>49,779</u>	\$ <u>466,773</u>	\$ <u>18,658</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	48,000	-	-
	\$ <u>48,000</u>	\$ <u>-</u>	\$ <u>-</u>
FUND BALANCES			
Fund Balance:			
Nonspendable	29,623	-	-
Restricted	22,362	28,569,919	14,514,670
Unassigned	4,089,637	-	-
Total Fund Balance	\$ <u>4,141,622</u>	\$ <u>28,569,919</u>	\$ <u>14,514,670</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>4,239,401</u>	\$ <u>29,036,692</u>	\$ <u>14,533,328</u>

CITY OF BRADY, TEXAS
Balance Sheet – Governmental Funds (Continued)
September 30, 2020

Special Revenue Funds					Total Governmental Funds
Special Revenue Fund	Cemetery Fund	Hotel/Motel Fund	Special Purpose Fund		Total Governmental Funds
\$ 123,407	\$ 109,799	\$ 124,916	\$ 21,283	\$ 47,774,301	
- 10,319	247 -	- 56,896	- -	59,772 392,592	
\$ 133,726	<u>110,046</u>	<u>181,812</u>	<u>21,283</u>	<u>\$ 48,256,288</u>	
\$ 1,943	54	54,051	- -	\$ 586,858 4,400	
<u>1,943</u>	<u>54</u>	<u>54,051</u>	<u>- -</u>	<u>591,258</u>	
- -	- -	- -	- -	48,000	
\$ 133,726	<u>110,046</u>	<u>181,812</u>	<u>21,283</u>	<u>\$ 48,000</u>	
- 131,783	- 109,992	- 127,761	- 21,283	- 29,623 43,497,770	
<u>131,783</u>	<u>109,992</u>	<u>127,761</u>	<u>21,283</u>	<u>4,089,637</u>	
<u>\$ 133,726</u>	<u>\$ 110,046</u>	<u>\$ 181,812</u>	<u>\$ 21,283</u>	<u>\$ 47,617,030</u>	

CITY OF BRADY, TEXAS
Balance Sheet – Governmental Funds (Continued)
September 30, 2020

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 \$16,001,256	\$ 10,249,561
Note Receivable	679,166

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	(494,744)
Deferred Other Postemployment Benefit Related Outflows	13,122
Net Pension Liability	(360,609)
Other Postemployment Benefit Liability	(204,433)

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

48,000

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

Notes, Bonds, and Capital Leases	(22,355,916)
Interest Payable	(1,247)
Accrued Compensated Absences	<u>(136,407)</u>

Net Position of Governmental Activities \$ 35,053,523

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CITY OF BRADY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2020

	General Fund	Capital Projects Funds	
		Water Construction Fund	WWTP Construction Fund
REVENUES			
Property Tax	\$ 921,266	\$ -	\$ -
Sales Tax	986,359	-	-
Franchise Tax	20,931	-	-
Hotel Occupancy Tax	-	-	-
Mixed Beverage Tax	5,721	-	-
Interest Income	55,129	251,544	123,860
Miscellaneous Revenue	2,825	-	-
Reimbursed Expenses	28,566	-	-
Administrative	1,851,083	-	-
Airport	262,883	-	-
Public Property Maintenance	39,794	-	-
Golf Course	103,863	-	-
Swimming Pool	7,412	-	-
Fire Department	1,125	-	-
Police Department	10,641	-	-
Emergency Operations	321,752	-	-
Community Services Administration	7,500	-	-
Street Department	6,499	-	-
Civic Center	17,400	-	-
Senior Citizen Program	-	-	-
Municipal Court	81,366	-	-
Animal Control	1,255	-	-
City/County EMS	397,684	-	-
Lake Department	260,904	-	-
Community Development	-	-	-
Cemetery Maintenance	-	-	-
Financial Administration	4,875	-	-
Building Inspection and Permits	35,038	-	-
Donations	18,100	-	-
Water & Sewer Construction	-	-	-
Grant Revenues	7,366	-	-
Total Revenues	\$ 5,457,337	\$ 251,544	\$ 123,860

CITY OF BRADY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
(Continued)
Governmental Funds
Year Ended September 30, 2020

Special Revenue Funds					Total Governmental Funds
Special Revenue Fund	Cemetery Fund	Hotel/Motel Fund	Special Purpose Fund		
\$ -	\$ -	\$ -	\$ -	\$ -	921,266
240,405	-	-	-	-	1,226,764
-	-	-	-	-	20,931
-	-	219,449	-	-	219,449
-	-	-	-	-	5,721
-	-	-	-	-	430,533
-	-	-	-	-	2,825
-	-	-	-	-	28,566
-	-	-	-	-	1,851,083
-	-	-	-	-	262,883
-	-	-	-	-	39,794
-	-	-	-	-	103,863
-	-	-	-	-	7,412
-	-	-	-	-	1,125
-	-	-	2,664	-	13,305
-	-	-	-	-	321,752
-	-	-	-	-	7,500
-	-	-	-	-	6,499
-	-	-	-	-	17,400
20,568	-	-	-	-	20,568
-	-	-	-	-	81,366
-	-	-	-	-	1,255
-	-	-	-	-	397,684
-	-	-	-	-	260,904
5,200	-	-	-	-	5,200
-	46,788	-	-	-	46,788
-	-	-	-	-	4,875
-	-	-	-	-	35,038
-	-	-	-	-	18,100
-	-	-	-	-	-
337,211	-	-	-	-	344,577
\$ 603,384	\$ 46,788	\$ 219,449	\$ 2,664	\$ 6,705,026	

CITY OF BRADY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
(Continued)
Governmental Funds
Year Ended September 30, 2020

	General Fund	Capital Projects Funds	
		Water Construction Fund	WWTP Construction Fund
EXPENDITURES			
Current:			
Administration	\$ 618,218	\$ -	\$ -
Airport	337,549	-	-
Public Property Maintenance	403,194	-	-
Mayor and Council	31,561	-	-
Golf Course	367,621	-	-
Swimming Pool	82,606	-	-
Fire Department	309,383	-	-
Police Department	969,627	-	-
Emergency Operations	60,727	-	-
Communications	158,729	-	-
Community Services Administration	68,997	-	-
Street Department	507,730	-	-
Civic Center	20,695	-	-
Pass-Through Services	-	-	-
Senior Citizens Program	-	-	-
Municipal Court	121,457	-	-
Community Services	54,895	-	-
Repair Shop	67,296	-	-
Animal Control	126,005	-	-
City/County EMS	1,518,678	-	-
Lake Department	208,560	-	-
G.R. White Complex	4,471	-	-
Purchasing	65,462	-	-
Financial Administration	296,560	-	-
Community Development	-	-	-
Cemetery Maintenance	-	-	-
Hotel/Motel Expenses	-	-	-
Building Inspection and Permits	293,680	-	-
Capital Outlay	397,576	466,772	18,658
Debt Service:			
Principal	420,539	-	-
Interest	38,743	-	-
Total Expenditures	<u>7,550,559</u>	<u>466,772</u>	<u>18,658</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,093,222)	(215,228)	105,202
Other Financing Sources (Uses)			
Bond Proceeds	266,129	-	-
Donated Assets	282	-	-
Sale of Fixed Assets	10,614	-	-
Transfers In	2,600,000	-	-
Total Other Financing Sources (Uses)	<u>2,877,025</u>	<u>-</u>	<u>-</u>
Change in Fund Balances	783,803	(215,228)	105,202
Total Fund Balances - Beginning of Year	3,357,819	28,785,147	14,409,468
Total Fund Balances - End of Year	<u>\$ 4,141,622</u>	<u>\$ 28,569,919</u>	<u>\$ 14,514,670</u>

CITY OF BRADY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
(Continued)
Governmental Funds
Year Ended September 30, 2020

Special Revenue Funds					Total Governmental Funds
Special Revenue Fund	Cemetery Fund	Hotel/Motel Fund	Special Purpose Fund		Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	618,218
-	-	-	-	-	337,549
-	-	-	-	-	403,194
-	-	-	-	-	31,561
-	-	-	-	-	367,621
-	-	-	-	-	82,606
-	-	-	-	-	309,383
-	-	-	8,825	-	978,452
-	-	-	-	-	60,727
-	-	-	-	-	158,729
-	-	-	-	-	68,997
-	-	-	-	-	507,730
-	-	-	-	-	20,695
240,405	-	-	-	-	240,405
223,366	-	-	-	-	223,366
-	-	-	-	-	121,457
-	-	-	-	-	54,895
-	-	-	-	-	67,296
-	-	-	-	-	126,005
-	-	-	-	-	1,518,678
-	-	-	-	-	208,560
-	-	-	-	-	4,471
-	-	-	-	-	65,462
-	-	-	-	-	296,560
5,200	-	-	-	-	5,200
-	58,543	-	-	-	58,543
-	-	224,176	-	-	224,176
-	-	-	-	-	293,680
271,661	-	-	-	-	1,154,667
-	-	-	-	-	420,539
-	-	-	-	-	38,743
<u>740,632</u>	<u>58,543</u>	<u>224,176</u>	<u>8,825</u>	<u>9,068,165</u>	
<u>(137,248)</u>	<u>(11,755)</u>	<u>(4,727)</u>	<u>(6,161)</u>	<u>(2,363,139)</u>	
-	-	-	-	-	266,129
-	-	-	-	-	282
-	-	-	-	-	10,614
120,000	-	-	-	-	2,720,000
120,000	-	-	-	-	2,997,025
(17,248)	(11,755)	(4,727)	(6,161)	633,886	
149,031	121,747	132,488	27,444	46,983,144	
<u>\$ 131,783</u>	<u>\$ 109,992</u>	<u>\$ 127,761</u>	<u>\$ 21,283</u>	<u>\$ 47,617,030</u>	

CITY OF BRADY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
(Continued)
Governmental Funds
Year Ended September 30, 2020

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	\$ 633,886
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	1,154,667
Depreciation Expense	(1,061,139)
Gains/Losses on fixed asset disposals do not provide or use current financial resources and are therefore not reported in the funds.	(6,218)
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	(266,129)
Bond and Lease Principal Payments	420,539
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property Tax Revenue	10,327
The change in net position liability and deferred inflows and outflows related to the City's TMRS pension liability and other postemployment benefits:	
	(294,637)
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	(8,177)
Change in Net Position of Governmental Activities	\$ 583,119

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CITY OF BRADY, TEXAS
Statement of Net Position
Proprietary Funds
September 30, 2020

	<u>Electric</u>	<u>Water & Sewer</u>	<u>Gas</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 4,076,734	\$ 4,967,715	\$ 502,128
Receivables:			
Accounts, Net	415,612	291,388	15,325
Inventory	-	-	-
Total Current Assets	<u>4,492,346</u>	<u>5,259,103</u>	<u>517,453</u>
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents	-	426,943	-
Capital Assets:			
Land	14,397	10,814	2,337
Construction in Progress	27,679	5,433,277	43,836
Property & Equipment	5,886,329	25,580,031	3,462,241
Accumulated Depreciation	(3,398,719)	(10,170,793)	(1,369,507)
Total Noncurrent Assets	<u>2,529,686</u>	<u>21,280,272</u>	<u>2,138,907</u>
Total Assets	<u>7,022,032</u>	<u>26,539,375</u>	<u>2,656,360</u>
DEFERRED OUTFLOWS			
Deferred Other Postemployment Benefits Related Outflows	<u>994</u>	<u>1,702</u>	<u>743</u>
Total Deferred Outflows	<u>994</u>	<u>1,702</u>	<u>743</u>
LIABILITIES			
Current			
Accounts Payable	328,331	123,433	39,387
Interest Payable	1,076	3,177	960
Other Payables	-	-	-
Bonds, Notes and Leases Payable	73,839	496,098	62,393
Total Current Liabilities	<u>403,246</u>	<u>622,708</u>	<u>102,740</u>
Noncurrent			
Accrued Compensated Absences	33,110	34,498	22,845
Landfill Closure	-	-	-
Utility Deposits	-	-	-
Net Pension Liability	27,311	46,778	20,429
Other Postemployment Benefit Liability	17,795	24,685	11,686
Bonds, Notes and Leases Payable	177,656	2,750,952	76,840
Total Noncurrent Liabilities	<u>255,872</u>	<u>2,856,913</u>	<u>131,800</u>
Total Liabilities	<u>659,118</u>	<u>3,479,621</u>	<u>234,540</u>
DEFERRED INFLOWS			
Deferred Pension Related Inflows	<u>37,471</u>	<u>64,178</u>	<u>28,028</u>
Total Deferred Inflows	<u>37,471</u>	<u>64,178</u>	<u>28,028</u>
NET POSITION			
Net Position, Net Investment in Capital Assets	2,278,191	17,606,279	1,999,674
Restricted Net Position	-	426,943	-
Unrestricted Net Position	4,048,246	4,964,056	394,861
Total Net Position	<u>\$ 6,326,437</u>	<u>\$ 22,997,278</u>	<u>\$ 2,394,535</u>

CITY OF BRADY, TEXAS
Statement of Net Position (Continued)
Proprietary Funds
September 30, 2020

	Solid Waste	Street Sanitation	Utility Support	Totals
\$	642,673	\$ -	\$ 114,690	\$ 10,303,940
	46,586	4,038	35,939	808,888
	-	-	124,401	124,401
	<u>689,259</u>	<u>4,038</u>	<u>275,030</u>	<u>11,237,229</u>
	584,337	92,140	707,679	1,811,099
	67,400	-	59,782	154,730
	-	-	-	5,504,792
	1,370,112	241,090	3,010,158	39,549,961
	(1,276,747)	(230,615)	(850,530)	(17,296,911)
	<u>745,102</u>	<u>102,615</u>	<u>2,927,089</u>	<u>29,723,671</u>
	<u>1,434,361</u>	<u>106,653</u>	<u>3,202,119</u>	<u>40,960,900</u>
	<u>1,276</u>	<u>119</u>	<u>707</u>	<u>5,541</u>
	<u>1,276</u>	<u>119</u>	<u>707</u>	<u>5,541</u>
	11,686	304	33,485	536,626
	281	107	-	5,601
	-	-	14,464	14,464
	61,151	20,680	-	714,161
	<u>73,118</u>	<u>21,091</u>	<u>47,949</u>	<u>1,270,852</u>
	36,119	404	16,944	143,920
	584,337	-	-	584,337
	-	-	707,679	707,679
	35,074	3,277	19,432	152,301
	21,007	261	10,908	86,342
	149,974	47,565	-	3,202,987
	<u>826,511</u>	<u>51,507</u>	<u>754,963</u>	<u>4,877,566</u>
	<u>899,629</u>	<u>72,598</u>	<u>802,912</u>	<u>6,148,418</u>
	<u>48,121</u>	<u>4,496</u>	<u>26,661</u>	<u>208,955</u>
	<u>48,121</u>	<u>4,496</u>	<u>26,661</u>	<u>208,955</u>
	-	-	2,219,410	24,103,554
	-	29,678	-	456,621
	487,887	-	153,843	10,048,893
\$	<u>487,887</u>	<u>\$ 29,678</u>	<u>\$ 2,373,253</u>	<u>\$ 34,609,068</u>

CITY OF BRADY, TEXAS
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2020

	Electric	Water & Sewer	Gas
OPERATING REVENUES			
Charges for Services:			
Electrical Distribution	\$ 7,299,510	\$ -	\$ -
Wastewater	-	1,274,044	-
Water Department	-	2,986,314	-
Gas Department	-	-	920,288
Solid Waste	-	-	-
Street Sanitation	-	-	-
Utility Support	-	-	-
Grant Revenue	1,152,572	1,509,667	888,993
Reimbursed Expenses	177,874	1,606	903
Total Operating Revenues	<u>8,629,956</u>	<u>5,771,631</u>	<u>1,810,184</u>
OPERATING EXPENSES			
Sewer and Electric Department			
Power Plant	7,163	-	-
Electrical Distribution	4,555,213	-	-
Wastewater	-	590,552	-
Water Department			
Public Works Administration	-	107,351	-
Water	-	1,274,795	-
Gas Department			
Gas	-	-	884,579
Solid Waste Department			
Solid Waste	-	-	-
Street Sanitation	-	-	-
Utility Support:			
Administration	-	-	-
Meter Shop	-	-	-
Billing-Collection	-	-	-
Bad Debt Expense	31,500	14,900	2,100
Depreciation	124,583	587,807	116,528
Total Operating Expenses	<u>4,718,459</u>	<u>2,575,405</u>	<u>1,003,207</u>
Operating Income (Loss)	3,911,497	3,196,226	806,977
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	56,327	59,471	10,058
Interest Expense	(6,281)	(16,465)	(5,630)
Total Non-Operating Revenues (Expenses)	<u>50,046</u>	<u>43,006</u>	<u>4,428</u>
Income (Loss) Before Transfers	3,961,543	3,239,232	811,405
Transfers In	-	-	-
Transfers Out	(2,600,000)	(320,000)	(80,000)
Change in Net Position	1,361,543	2,919,232	731,405
Total Net Position - Beginning	4,964,894	20,078,046	1,663,130
Total Net Position - Ending	<u>\$ 6,326,437</u>	<u>\$ 22,997,278</u>	<u>\$ 2,394,535</u>

CITY OF BRADY, TEXAS
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
Year Ended September 30, 2020

Solid Waste	Street Sanitation	Utility Support	Totals
\$ -	\$ -	\$ -	\$ 7,299,510
-	-	-	1,274,044
-	-	-	2,986,314
-	-	-	920,288
1,198,003	-	-	1,198,003
-	73,881	-	73,881
-	-	201,726	201,726
-	-	-	3,551,232
-	-	1,378	181,761
1,198,003	73,881	203,104	17,686,759
-	-	-	7,163
-	-	-	4,555,213
-	-	-	590,552
-	-	-	107,351
-	-	-	1,274,795
-	-	-	884,579
1,150,294	-	-	1,150,294
297	61,724	-	62,021
-	-	208,758	208,758
-	-	61,745	61,745
-	-	278,431	278,431
3,985	521	9,000	62,006
53,808	14,610	113,585	1,010,921
1,208,384	76,855	671,519	10,253,829
(10,381)	(2,974)	(468,415)	7,432,930
16,093	-	10,058	152,007
(3,794)	(3,087)	-	(35,257)
12,299	(3,087)	10,058	116,750
1,918	(6,061)	(458,357)	7,549,680
-	35,739	320,000	355,739
(75,739)	-	-	(3,075,739)
(73,821)	29,678	(138,357)	4,829,680
561,708	-	2,511,610	29,779,388
\$ 487,887	\$ 29,678	\$ 2,373,253	\$ 34,609,068

CITY OF BRADY, TEXAS
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2020

	<u>Electric</u>	<u>Water & Sewer</u>	<u>Gas</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 7,309,030	\$ 4,169,850	\$ 917,680
Payments to Suppliers	(4,072,476)	(1,201,053)	(576,726)
Payments to Employees for Services	(337,399)	(429,287)	(206,305)
Payments on Behalf of Employees for Benefits	(33,294)	(205,002)	(95,348)
Receipts (Refunds) of Customer Deposits	-	-	-
Receipts from Grants	1,152,572	1,489,796	888,993
Net Cash Provided (Used) by Operating Activities	<u>4,018,433</u>	<u>3,824,304</u>	<u>928,294</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers to Other Funds	(2,600,000)	(320,000)	(80,000)
Operating Subsidies and Transfers from Other Funds	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,600,000)</u>	<u>(320,000)</u>	<u>(80,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets and Construction in Progress	(1,462,355)	(2,289,732)	(932,828)
Principal Paid on Capital Debt	64,881	(486,905)	(63,948)
Interest Paid on Capital Debt	(7,588)	(16,451)	(6,042)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(1,405,062)</u>	<u>(2,793,088)</u>	<u>(1,002,818)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	56,327	59,471	10,058
Net Cash Provided (Used) by Investing Activities	<u>56,327</u>	<u>59,471</u>	<u>10,058</u>
Net Increase (Decrease) In Cash & Cash Equivalents	69,698	770,687	(144,466)
Balances - Beginning of the Year	<u>3,935,510</u>	<u>4,514,460</u>	<u>596,738</u>
Balances - End of the Year	<u>\$ 4,005,208</u>	<u>\$ 5,285,147</u>	<u>\$ 452,272</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 3,911,497	\$ 3,196,226	\$ 806,977
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	124,583	587,807	116,528
Bad Debt Expense	31,500	14,900	2,100
Change In Assets & Liabilities:			
Accounts Receivable	22,774	(53,432)	(2,608)
Inventories	-	-	-
Accounts Payable	6,030	83,601	18,352
Prepaid Expenses	2,347	-	-
Other Payables	-	-	-
Net Pension Liability	(101,385)	(34,803)	(29,583)
Other Postemployment Benefit Liability	2,171	3,719	1,625
Compensated Absences	18,916	26,286	14,903
Customer Deposits Payable	-	-	-
Landfill Closure/Post Closure Costs	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,018,433</u>	<u>\$ 3,824,304</u>	<u>\$ 928,294</u>
Reconciliation to Statement of Net Position - Proprietary Funds:			
Cash and Cash Equivalents - Unrestricted	\$ 4,076,734	\$ 4,967,715	\$ 502,128
Cash and Cash Equivalents - Restricted	-	426,943	-
Total Cash and Cash Equivalents - Proprietary Funds	<u>\$ 4,076,734</u>	<u>\$ 5,394,658</u>	<u>\$ 502,128</u>
SCHEDULE OF NONCASH ACTIVITIES			
Actuarial Calculation of Net Pension Liability	\$ 71,526	\$ 109,511	\$ 49,856
Total Noncash Activities	<u>\$ 71,526</u>	<u>\$ 109,511</u>	<u>\$ 49,856</u>

CITY OF BRADY, TEXAS
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2020

	Solid Waste	Street Sanitation	Utility Support	Total
\$	1,202,887	\$ 73,568	\$ 187,291	\$ 13,860,306
	(601,005)	(21,475)	(328,457)	(6,801,192)
	(373,594)	(29,066)	(179,464)	(1,555,115)
	(160,197)	(11,183)	(99,530)	(604,554)
	-	-	10,140	10,140
	-	-	-	3,531,361
	<u>68,091</u>	<u>11,844</u>	<u>(410,020)</u>	<u>8,440,946</u>
	(75,739)	(16,585)	-	(3,092,324)
	<u>16,585</u>	<u>35,739</u>	<u>320,000</u>	<u>372,324</u>
	(59,154)	19,154	320,000	(2,720,000)
	-	(8,500)	(832)	(4,694,247)
	40,245	68,245	-	(377,482)
	(3,807)	(2,980)	-	(36,868)
	<u>36,438</u>	<u>56,765</u>	<u>(832)</u>	<u>(5,108,597)</u>
	<u>16,093</u>	<u>-</u>	<u>10,058</u>	<u>152,007</u>
	16,093	-	10,058	152,007
	61,468	87,763	(80,794)	764,356
	<u>1,077,828</u>	<u>-</u>	<u>856,204</u>	<u>10,980,740</u>
\$	<u>1,139,296</u>	<u>\$ 87,763</u>	<u>\$ 775,410</u>	<u>\$ 11,745,096</u>
\$	(10,381)	\$ (2,974)	\$ (468,415)	\$ 7,432,930
	53,808	14,610	113,585	1,010,921
	3,985	3,985	9,000	65,470
	5,361	(8,023)	(14,363)	(50,291)
	-	-	(450)	(450)
	3,637	304	(36,893)	75,031
	-	-	-	2,347
	-	-	(76)	(76)
	(69,860)	3,277	(35,584)	(267,938)
	2,789	261	1,545	12,110
	24,272	404	11,491	96,272
	-	-	10,140	10,140
	<u>54,480</u>	<u>-</u>	<u>-</u>	<u>54,480</u>
\$	<u>68,091</u>	<u>\$ 11,844</u>	<u>\$ (410,020)</u>	<u>\$ 8,440,946</u>
\$	642,673	\$ -	\$ 114,690	\$ 10,303,940
\$	584,337	\$ 92,140	\$ 707,679	\$ 1,811,099
\$	<u>1,227,010</u>	<u>\$ 92,140</u>	<u>\$ 822,369</u>	<u>\$ 12,115,039</u>
\$	<u>87,714</u>	<u>\$ 4,377</u>	<u>\$ 46,959</u>	<u>\$ 369,943</u>
\$	<u>87,714</u>	<u>\$ 4,377</u>	<u>\$ 46,959</u>	<u>\$ 369,943</u>

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CITY OF BRADY, TEXAS
Statement of Net Position
Discretely Presented Component Unit
September 30, 2020

Brady Economic
 Development
 Corporation

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 553,686
Receivables, Net of Allowances	20,117
Notes Receivable, Current Portion	15,111
Total Current Assets	<u>588,914</u>

Noncurrent Assets

Notes Receivable, Non-Current Portion	70,300
Land	12,803
Other Capital Assets, Net of Depreciation	49,926
Total Noncurrent Assets	<u>133,029</u>
 Total Assets	 <u>721,943</u>

LIABILITIES

Noncurrent Liabilities

Note Payable	679,166
Total Noncurrent Liabilities	<u>679,166</u>
 Total Liabilities	 <u>679,166</u>

NET POSITION

Net Investment in Capital Assets	62,729
Unrestricted	<u>(19,952)</u>
Total Net Position	<u>\$ 42,777</u>

CITY OF BRADY, TEXAS
Statement of Activities
Discretely Presented Component Unit
Year Ended September 30, 2020

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	
Economic Development Corporation			
General Government			
Administration	\$ 31,500	\$ -	-
Rental Income	-		7,078
Professional/Legal Fees	15,818		-
COVID Relief	130,000		-
Community Development	50,000		-
Travel and Training	1,580		-
Marketing	7,815		-
Office Supplies	160		-
Depreciation Expense	2,176		-
Total Economic Development Corporation	239,049		7,078
Total Component Unit	239,049		7,078

General Revenues
Taxes
Sales Taxes
Interest Revenue
Total General Revenues, Special Items, and Transfers
Change in Net Position
Net Position - Beginning
Net Position - Ending

CITY OF BRADY, TEXAS
Statement of Activities
Discretely Presented Component Unit
Year Ended September 30, 2020

<u>Net (Expense) Revenue and Change in Net Position</u>		
<u>Economic Development</u>		
	<u>Corporation</u>	<u>Total</u>
\$	(31,500)	\$ (31,500)
	7,078	7,078
	(15,818)	(15,818)
	(130,000)	(130,000)
	(50,000)	(50,000)
	(1,580)	(1,580)
	(7,815)	(7,815)
	(160)	(160)
	(2,176)	(2,176)
<u>(231,971)</u>		<u>(231,971)</u>
<u>(231,971)</u>		<u>(231,971)</u>
	240,405	240,405
	9,849	9,849
<u>\$</u>	<u>250,254</u>	<u>250,254</u>
	18,283	18,283
	24,494	24,494
<u>\$</u>	<u>42,777</u>	<u>\$ 42,777</u>

CITY OF BRADY, TEXAS

Notes to Financial Statements

September 30, 2020

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 Standards.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

1. Summary of Significant Accounting Policies (Continued)

Financial Reporting Entity (Continued)

The 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, 2020

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, 2020

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, sales taxes passed through to other entities, and miscellaneous grant revenues and expenditures.

Water Construction Fund – This fund accounts for specific program expenditures associated with construction of the City's drinking water system infrastructure and revenue sources supporting these costs.

WWTP Construction Fund – The fund accounts for specific program expenditures associated with the new construction of the City's wastewater treatment plant and revenue sources supporting these costs.

Cemetery Fund – This fund accounts for specific program revenue sources and related expenditures associated with the upkeep of the two City owned cemeteries.

Hotel/Motel Fund – This fund accounts for specific program revenue sources and related expenditures associated with hotel taxes spent on qualified projects and passed through to the Chamber of Commerce per formal agreement.

Special Purpose Fund – This fund accounts for specific program revenue sources and related expenditures associated with Police and Municipal Court funds.

There are no non-major governmental funds.

Revenue Recognition:

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

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

1. Summary of Significant Accounting Policies (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

Expenditure Recognition:

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

PROPRIETARY FUNDS

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the City's enterprise funds are charges to customers for sales and services. Capital grant revenues are also reported as operating revenues. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

1. Summary of Significant Accounting Policies (Continued)

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

PROPRIETARY FUNDS (Continued)

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 treatment and collection 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 Fund – This fund is used to account for trash collection services operation of the City landfill.

Street Sanitation Fund – This fund is used to account for street cleaning services provided to the residential and commercial citizens of the City.

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.

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

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

1. Summary of Significant Accounting Policies (Continued)

Investments

In accordance with GASB standards, 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 \$29,704 at September 30, 2020 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, 2020, and therefore, has not established a reserve for uncollectible receivables.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City and EDCs 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.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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.

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.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

1. Summary of Significant Accounting Policies (Continued)

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, 2020.
- *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, 2020.
- *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.

CITY OF BRADY, TEXAS

Notes to Financial Statements (continued)

September 30, 2020

1. Summary of Significant Accounting Policies (Continued)

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.

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 City Manager 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 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 Council. Council may subsequently amend such ordinances.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

3. Compliance and Accountability (Continued)

Budget Requirements, Accounting, and Reporting (Continued)

Amendments to the appropriation ordinance during the fiscal year ending September 30, 2020 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.

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, 2020:

	Transfers In	Transfers Out	Net Transfers In/Out
Governmental Activities			
General Fund	\$ 2,600,000	\$ -	\$ 2,600,000
Special Revenue Fund	120,000	-	120,000
Total Governmental Transfers	<u>2,720,000</u>	<u>-</u>	<u>2,720,000</u>
Business-Type Activities			
Electric	-	2,600,000	(2,600,000)
Water & Sewer	-	320,000	(320,000)
Gas	-	80,000	(80,000)
Solid Waste	-	75,739	(75,739)
Street Sanitation	35,739	-	35,739
Utility Support	320,000	-	320,000
Total Business-Type Transfers	<u>355,739</u>	<u>3,075,739</u>	<u>(2,720,000)</u>
	<u><u>\$ 3,075,739</u></u>	<u><u>\$ 3,075,739</u></u>	<u><u>\$ -</u></u>

CITY OF BRADY, TEXAS

Notes to Financial Statements

September 30, 2020

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 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.

The carrying amount of the City's cash held with financial institutions was \$16,271,524 and the bank balance was \$16,390,149. 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.	\$ 250,000
Collateralized with securities held by the pledging financial institution or its agent but not in the City's name.	16,140,149
Total Bank Balance	<u>\$ 16,390,149</u>

The carrying amount of the EDCs' cash held with financial institutions was \$553,686 and the bank balance was \$553,686. The bank balance is categorized as follows:

Insured by FDIC or collateralized with securities held by the EDCs or its agent in the EDCs' name.	\$ 250,000
Collateralized with securities held by the pledging financial institution or its agent but not in the EDCs' name.	303,686
Total Bank Balance	<u>\$ 553,686</u>

All deposits were fully secured at the balance sheet date. The disclosure presented above excludes escrow balances.

CITY OF BRADY, TEXAS
Notes to Financial Statements
September 30, 2020

4. Deposits and Investments (Continued)

Deposits and Investments

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.

The City had deposits and investments restricted for the following purposes at September 30, 2020:

Restricted For:	Governmental Activities	Business-Type Activities	Total
State, Local and Federally Funded Programs	\$ 43,693,426	\$ 6,390	\$ 43,699,816
Police Activities	21,284	-	21,284
Debt Service	22,362	200,553	222,915
Cemetery	109,799	-	109,799
Hotel/Motel	124,916	-	124,916
Street Sanitation	-	92,140	92,140
Texas Water Development Board Covenant	-	220,000	220,000
Utility Customer Deposits	-	707,679	707,679
Landfill Closure Reserve	-	584,337	584,337
Total Restricted Cash	<u>\$ 43,971,787</u>	<u>\$ 1,811,099</u>	<u>\$ 45,782,886</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements
September 30, 2020

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 2020, the City of Brady had property with an assessed valuation of \$230,582,676 . The tax rate was \$0.409609 per \$100 valuation.

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CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

6. Capital Assets and Depreciation

Capital asset activity for the year ended September 30, 2020 was as follows:

Governmental Activities	Balance 10/1/2019	Additions	Deletions	Transfers	Balance 9/30/2020
Capital assets not being depreciated:					
Land	\$ 756,484	\$ -	\$ -	\$ -	\$ 756,484
Construction in progress	1,780,752	787,099	-	(904,583)	1,663,268
Subtotal	<u>2,537,236</u>	<u>787,099</u>	<u>-</u>	<u>(904,583)</u>	<u>2,419,752</u>
Capital assets being depreciated:					
Buildings and improvements	7,331,124	-	-	-	7,331,124
Infrastructure	12,325,255	12,459	-	804,104	13,141,818
Vehicles	1,281,031	229,209	(80,814)	14,093	1,443,519
Equipment	2,697,978	125,900	(31,085)	100,479	2,893,272
Subtotal	<u>23,635,388</u>	<u>367,568</u>	<u>(111,899)</u>	<u>918,676</u>	<u>24,809,733</u>
Accumulated depreciation	(16,010,373)	(1,061,139)	105,681	(14,093)	(16,979,924)
Net capital assets being depreciated	<u>7,625,015</u>	<u>(693,571)</u>	<u>(6,218)</u>	<u>904,583</u>	<u>7,829,809</u>
Net capital assets	<u>\$ 10,162,251</u>	<u>\$ 93,528</u>	<u>\$ (6,218)</u>	<u>\$ -</u>	<u>\$ 10,249,561</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

6. Capital Assets and Depreciation (Continued)

Business-Type Activities	<u>Balance</u> <u>10/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>9/30/2020</u>
Capital assets not being depreciated:					
Land	\$ 154,730	\$ -	\$ -	\$ -	\$ 154,730
Construction in progress	5,666,992	4,650,746	-	(4,812,946)	5,504,792
Subtotal	<u>5,821,722</u>	<u>4,650,746</u>	<u>-</u>	<u>(4,812,946)</u>	<u>5,659,522</u>
Capital assets being depreciated:					
Buildings and improvements	15,627,493	-	-	-	15,627,493
Infrastructure	15,219,170	-	-	4,792,966	20,012,136
Vehicles	884,316	36,275	-	(14,093)	906,498
Equipment	2,984,890	7,226	(8,260)	19,980	3,003,836
Subtotal	<u>34,715,869</u>	<u>43,501</u>	<u>(8,260)</u>	<u>4,798,853</u>	<u>39,549,963</u>
Accumulated depreciation	(16,308,345)	(1,010,921)	8,260	14,093	(17,296,913)
Net capital assets being depreciated	<u>18,407,524</u>	<u>(967,420)</u>	<u>-</u>	<u>4,812,946</u>	<u>22,253,050</u>
Net capital assets	<u>\$ 24,229,246</u>	<u>\$ 3,683,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,912,572</u>

Economic Development Corporation	<u>Balance</u> <u>10/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2020</u>
Capital assets not being depreciated:				
Land	\$ 12,803	\$ -	\$ -	\$ 12,803
Subtotal	<u>12,803</u>	<u>-</u>	<u>-</u>	<u>12,803</u>
Capital assets being depreciated:				
Buildings and improvements	53,868	-	-	53,868
Subtotal	<u>53,868</u>	<u>-</u>	<u>-</u>	<u>53,868</u>
Accumulated depreciation	(1,766)	(2,176)	-	(3,942)
Net capital assets being depreciated	<u>52,102</u>	<u>(2,176)</u>	<u>-</u>	<u>49,926</u>
Net capital assets	<u>\$ 64,905</u>	<u>\$ (2,176)</u>	<u>\$ -</u>	<u>\$ 62,729</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

6. Capital Assets and Depreciation (Continued)

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

Governmental Activities		
Administration	\$	43,677
Airport		220,604
Public Property Maintenance		138,979
Golf Course		37,447
Fire Department		40,706
Police Department		88,126
Emergency Operations Center		10,620
Communications		8,918
Street Department		249,142
Civic Center		68,507
Senior Citizens Program		1,308
Municipal Court		8,085
Repair Shop		1,078
Animal Control		506
EMS Department		97,293
Lake Department		38,172
G. Rollie White Complex		1,582
Code Enforcement		3,062
Cemetery		3,327
Total Depreciation Expense	\$	<u>1,061,139</u>
Business-Type Activities		
Electric	\$	124,583
Sewer		64,701
Water		523,106
Gas		116,528
Solid Waste		53,808
Street Sanitation		14,610
Utility Support		113,585
Total Depreciation Expense	\$	<u>1,010,921</u>
Economic Development Corporation		
Buildings & Improvements	\$	2,176
Total Depreciation Expense	\$	<u>2,176</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

7. Defined Benefit Pension Plans

Plan Description

The City of Brady participates as one of the 888 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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2019</u>
Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	111
Active employees	<u>97</u>
	<u><u>266</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

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 9.83% and 10.24% in calendar years 2019 and 2020, respectively. The city's contributions to TMRS for the year ended September 30, 2020, were \$457,349, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of September 30, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% 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 PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

7. Defined Benefit Pension Plans (Continued)

Net Pension Liability (Continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and the Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

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/ 2018	\$ 10,636,617	\$ 9,252,662	\$ 1,383,955
Changes for the year:			
Service Cost	626,429	-	626,429
Interest	725,298	-	725,298
Change of benefit terms	-	-	-
Difference between expected and actual experience	(137,771)	-	(137,771)
Change of assumptions	42,890	-	42,890
Contributions - employer	-	445,884	(445,884)
Contributions - employee	-	260,831	(260,831)
Net investment income	-	1,429,501	(1,429,501)
refunds of employee contributions	(409,339)	(409,339)	-
Administrative expense	-	(8,083)	8,083
Other Changes	-	(242)	242
Net changes	847,507	1,718,552	(871,045)
Balance at 12/31/ 2019	\$ 11,484,124	\$ 10,971,214	\$ 512,910

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

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

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% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 2,160,404	\$ 512,910	\$ (830,229)

Pension Plan Fiduciary Net Position

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

CITY OF BRADY, TEXAS
Notes to Financial Statements
September 30, 2020

7. Defined Benefit Pension Plans (Continued)

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

For the year ended September 30, 2020, the city recognized pension expense of \$457,349.

At September 30, 2020, 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	\$ -	\$ (86,745)
Difference in Actual Assumptions	27,005	-
Differences Between Projected and Actual Investment Earnings	-	(643,957)
Contributions Subsequent to the Measurement Date	<u>330,874</u>	<u>-</u>
	<u><u>\$ 357,879</u></u>	<u><u>\$ (730,702)</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

7. Defined Benefit Pension Plans (Continued)

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

\$330,874 reported as deferred outflows 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, 2020. 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
2020	\$ (189,604)
2021	(117,584)
2022	18,529
2023	(160,990)
Total	\$ (449,649)

8. Other Postemployment Benefits

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of the employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during the employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 GASB No. 75. As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contribution for retirees.

CITY OF BRADY, TEXAS
Notes to Financial Statements
September 30, 2020

8. Other Postemployment Benefits (Continued)

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2019 is summarized below:

	2019
Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	16
Active employees	97
	<u>146</u>

Total OPEB Liability

The City's total OPEB liability of \$290,775 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

CITY OF BRADY, TEXAS
Notes to Financial Statements
September 30, 2020

8. Other Postemployment Benefits (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined by using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.75%
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rates as of December 31, 2019.

CITY OF BRADY, TEXAS
Notes to Financial Statements
September 30, 2020

8. Other Postemployment Benefits (Continued)

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

<u>Total OPEB Liability</u>		
Changes for the year:		
Service Cost	\$	16,519
Interest	\$	9,320
Change of benefit terms	\$	-
Employer administrative costs	\$	-
Recognition of deferred outflows/inflows of resources:		
Differences between expected and actual experience	\$	(7,555)
Changes in assumptions or other inputs	\$	10,150
Total OPEB expense	<u>\$</u>	<u>28,434</u>

* Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB No. 75.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

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

The following present the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Decrease in Discount Rate (4.71%)
Total OPEB Liability	\$ 350,435	\$ 290,775	\$ 244,634

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

8. Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between Expected and Actual Experience	\$ (19,153)	\$ -
Changes in Assumptions and Other Inputs	- -	37,817
Contributions Subsequent to the Measurement Date	\$ -	8,526
	<u><u>\$ (19,153)</u></u>	<u><u>\$ 46,343</u></u>

\$- reported as deferred outflows related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of total OPEB for the fiscal year ending September 30, 2020.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	OPEB Expense
	Amount
2020	\$ 2,595
2021	1,960
2022	(116)
2023	4,123
Total	<u><u>\$ 8,562</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

9. 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 \$280,327 at September 30, 2020.

10. 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 enough 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, 2020

11. Leases

The City leases property and equipment through various operating and capital leases. Capital lease obligations are discussed in Note 12. 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, 2020 were \$41,555 for governmental activities and \$218,824 for business-type activities.

Future minimum lease payments for operating leases are as follows:

Year Ended	
September 30,	Amount
2021	\$ 215,738
2022	193,884
2023	161,346
2024	9,801
Total	<u><u>\$ 580,769</u></u>

The assets acquired through capital leases have a capitalized cost of \$3,885,624 . Accumulated depreciation at year-end was \$395,926 . Capital lease obligations are discussed in Note 12.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2020 includes the following:

Governmental Activities	<u>Balance</u> <u>10/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2020</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
General:					
General Obligation Refunding Bonds, Series 2012	\$ 607,600	\$ -	\$ (196,000)	\$ 411,600	\$ 205,800
Government Capital *	8,891	-	(7,603)	1,288	1,288
Government Capital *	6,228	-	(6,228)	-	-
Government Capital *	17,857	-	(9,628)	8,229	8,229
Government Capital *	2,787	-	(2,787)	-	-
Government Capital *	46,021	-	(22,648)	23,373	23,373
Government Capital *	16,239	-	(16,239)	-	-
Government Capital *	4,777	-	(4,777)	-	-
Government Capital *	42,519	-	(31,703)	10,816	10,816
Government Capital *	194,251	-	(23,210)	171,041	24,078
Government Capital *	45,389	-	(19,056)	26,333	19,649
Government Capital *	37,038	-	(9,440)	27,598	9,922
Government Capital *	215,728	-	(41,884)	173,844	43,695
Government Capital *	-	91,250	(3,615)	87,635	21,808
Stryker	-	125,900	(25,180)	100,720	25,180
Government Capital *	-	48,979	(540)	48,439	9,164
Capital Project - Drinking Water:					
Certificate of Obligation, Series 2019	10,830,000	-	-	10,830,000	330,000
Capital Project - WWTP Construction:					
Certificate of Obligation, Series 2019A	8,400,000	-	-	8,400,000	150,000
Certificate of Obligation, Series 2019B	2,035,000	-	-	2,035,000	70,000
Total Bonds, Notes, and Capital Leases Payable	<u>22,510,325</u>	<u>266,129</u>	<u>(420,538)</u>	<u>22,355,916</u>	<u>953,002</u>
Compensated Absences	128,229	8,178	-	136,407	-
Total Governmental Activities	<u>\$ 22,638,554</u>	<u>\$ 274,307</u>	<u>\$ (420,538)</u>	<u>\$ 22,492,323</u>	<u>\$ 953,002</u>

*denotes capital lease

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Business-Type Activities	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Amount Due Within One Year
Electric:					
Government Capital *	\$ 186,614	\$ -	\$ (55,485)	\$ 131,129	\$ 57,363
Government Capital *	- -	125,026	(4,660)	120,366	16,476
	<u>186,614</u>	<u>125,026</u>	<u>(60,145)</u>	<u>251,495</u>	<u>73,839</u>
Water & Sewer:					
Certificates of Obligation, Series 2000	2,520,000	- -	(210,000)	2,310,000	210,000
Certificates of Obligation, Series 2013	175,000	- -	(35,000)	140,000	35,000
Certificates of Obligation - WWTP, Series 2012	630,000	- -	(120,000)	510,000	125,000
General Obligation Refunding Bonds, Series 2012	12,400	- -	(4,000)	8,400	4,200
Government Capital *	<u>396,555</u>	<u>- -</u>	<u>(117,905)</u>	<u>278,650</u>	<u>121,898</u>
	<u>3,733,955</u>	<u>- -</u>	<u>(486,905)</u>	<u>3,247,050</u>	<u>496,098</u>
Gas:					
Government Capital *	194,390	- -	(57,796)	136,594	59,754
Government Capital *	8,791	- -	(6,152)	2,639	2,639
	<u>203,181</u>	<u>- -</u>	<u>(63,948)</u>	<u>139,233</u>	<u>62,393</u>
Street Sanitation:					
Government Capital *	<u>88,163</u>	<u>- -</u>	<u>(19,918)</u>	<u>68,245</u>	<u>20,680</u>
	<u>88,163</u>	<u>- -</u>	<u>(19,918)</u>	<u>68,245</u>	<u>20,680</u>
Solid Waste:					
Government Capital *	- -	179,471	(4,727)	174,744	34,027
Government Capital *	20,155	- -	(20,155)	- -	- -
Government Capital *	<u>62,562</u>	<u>- -</u>	<u>(26,181)</u>	<u>36,381</u>	<u>27,124</u>
	<u>82,717</u>	<u>179,471</u>	<u>(51,063)</u>	<u>211,125</u>	<u>61,151</u>
Total Bonds, Notes, and Capital Leases Payable	4,294,630	304,497	(681,979)	3,917,148	714,161
Compensated Absences	47,648	96,272	- -	143,920	- -
Total Business-Type Activities	<u>\$ 4,342,278</u>	<u>\$ 400,769</u>	<u>\$ (681,979)</u>	<u>\$ 4,061,068</u>	<u>\$ 714,161</u>

* denotes capital lease

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

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, 2020 was \$420,000 . The balance is allocated between the general fund and water fund, which are \$411,600 and \$8,400 respectively.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 210,000	\$ 11,813	\$ 221,813
2022	210,000	6,038	216,038
	<u><u>\$ 420,000</u></u>	<u><u>\$ 17,851</u></u>	<u><u>\$ 437,851</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules

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
2021	\$ 1,288	\$ 6	\$ 1,294
	<u>1,288</u>	<u>6</u>	<u>1,294</u>

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 was paid in full during fiscal year 2020.

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
2021	\$ 8,229	\$ 120	\$ 8,349
	<u>8,229</u>	<u>120</u>	<u>8,349</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

On February 3, 2015, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a 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 was paid in full during fiscal year 2020.

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
2021	\$ 23,373	\$ 747	\$ 24,120
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	\$ 23,373	\$ 747	\$ 24,120

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 was paid in full during fiscal year 2020.

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. 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 was paid in full during fiscal year 2020.

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
2021	\$ 10,816	\$ 78	\$ 10,894
	<u>10,816</u>	<u>78</u>	<u>10,894</u>

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
2021	\$ 24,078	\$ 5,888	\$ 29,966
2022	24,978	4,987	29,965
2023	25,913	4,053	29,966
2024	26,882	3,083	29,965
2025-2027	69,190	3,227	72,417
	<u>171,041</u>	<u>21,238</u>	<u>192,279</u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

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
2021	\$ 19,649	\$ 532	\$ 20,181
2022	6,684	43	6,727
	<u><u>\$ 26,333</u></u>	<u><u>\$ 575</u></u>	<u><u>\$ 26,908</u></u>

Government Capital

On March 5, 2019, 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 \$923 beginning June 15, 2019. Payments include interest of 4.994%. This lease will be paid in full on May 15, 2023.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 9,922	\$ 1,153	\$ 11,075
2022	10,429	646	11,075
2023	7,247	136	7,383
	<u><u>\$ 27,598</u></u>	<u><u>\$ 1,935</u></u>	<u><u>\$ 29,533</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

On April 2, 2019, 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 \$4,185 beginning July 15, 2019. Payments include interest of 4.24%. This lease will be paid in full on June 15, 2024.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 43,695	\$ 6,528	\$ 50,223
2022	45,584	4,639	50,223
2023	47,555	2,669	50,224
2024	37,010	657	37,667
	<u><u>\$ 173,844</u></u>	<u><u>\$ 14,493</u></u>	<u><u>\$ 188,337</u></u>

*Combination Tax & Surplus Waterworks & Sewer System Revenue
Certificates of Obligation, Series 2019*

On March 21, 2019, the City issued the Combination Tax & Surplus Waterworks & Sewer System Revenue Certificates of Obligation, Series 2019 in the amount of \$10,830,000. The City filed an application for financial assistance in the amount of \$13,375,000 with the Texas Water Development Board (TWBD) from the Economically Distressed Area Program (EDAP) Grant to fund the construction activities associated with the water system improvement project. TWDB approved a Loan Forgiveness Grant in the amount of \$4,700,000; the remaining \$10,830,000 was issued as debt. Principal amounts on these certificates are due and payable annually beginning September 1, 2021. The certificate bears a zero percent interest rate. These certificates will be paid in full on September 1, 2050.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 330,000	\$ -	\$ 330,000
2022	330,000	-	330,000
2023	330,000	-	330,000
2024	330,000	-	330,000
2025-2050	9,510,000	-	9,510,000
	<u><u>\$ 10,830,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,830,000</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

*Combination Tax & Surplus Waterworks & Sewer System Revenue
Certificates of Obligation, Series 2019A*

On August 8, 2019, the City issued the Combination Tax & Surplus Waterworks & Sewer System Revenue Certificates of Obligation, Series 2019A in the amount of \$8,400,000. The City filed an application for financial assistance in the amount of \$14,685,000 with the Texas Water Development Board (TWBD) from the Clean Water State Revolving Fund to finance the construction activities associated with the waterworks and sewer system improvement project. TWDB approved a Loan Forgiveness Grant in the amount of \$4,250,000; Combination Tax & Surplus Waterworks & Sewer System Revenue Certificates of Obligation, Series 2019B in the amount of \$2,035,000 (see note disclosure on next page); the remaining \$8,400,000 was issued as debt. Principal amounts on these certificates are due and payable annually beginning September 1, 2021. Interest is due and payable semi-annually beginning March 1, 2020 at rates ranging from .02% to 0.84%. These certificates will be paid in full on September 1, 2050.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 150,000	\$ 40,755	\$ 190,755
2022	155,000	40,755	195,755
2023	150,000	40,755	190,755
2024	155,000	40,755	195,755
2025-2050	7,790,000	730,724	8,520,724
	<u><u>\$ 8,400,000</u></u>	<u><u>\$ 893,744</u></u>	<u><u>\$ 9,293,744</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

*Combination Tax & Surplus Waterworks & Sewer System Revenue
Certificates of Obligation, Series 2019B*

On August 8, 2019, the City issued the Combination Tax & Surplus Waterworks & Sewer System Revenue Certificates of Obligation, Series 2019B in the amount of \$2,035,000. The City filed an application for financial assistance in the amount of \$14,685,000 with the Texas Water Development Board (TWBD) from the Clean Water State Revolving Fund to finance the construction activities associated with the waterworks and sewer system improvement project. TWDB approved a Loan Forgiveness Grant in the amount of \$4,250,000; Combination Tax & Surplus Waterworks & Sewer System Revenue Certificates of Obligation, Series 2019A in the amount of \$8,400,000 (see note disclosure on previous page); the remaining \$2,035,000 was issued as debt. Principal amounts on these certificates are due and payable annually beginning September 1, 2021. The certificate bears a zero percent interest rate. These certificates will be paid in full on September 1, 2050.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 70,000	\$ -	\$ 70,000
2022	70,000	-	70,000
2023	70,000	-	70,000
2024	70,000	-	70,000
2025-2050	1,755,000	-	1,755,000
	\$ 2,035,000	\$ -	\$ 2,035,000

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

On July 7, 2020, 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 60 monthly payments of \$2,030 beginning August 15, 2020. Payments include interest of 3.29%. This lease will be paid in full on July 15, 2024.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 21,808	\$ 2,556	\$ 24,364
2022	22,536	1,828	24,364
2023	23,289	1,075	24,364
2024	20,002	303	20,305
	<u><u>\$ 87,635</u></u>	<u><u>\$ 5,762</u></u>	<u><u>\$ 93,397</u></u>

Government Capital

On December 30, 2019, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of defibrillators and monitors. This lease is due and payable in 60 monthly payments of \$25,180 beginning January 2020. Payments include interest of 0%. This lease will be paid in full on January 2024.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 25,180	\$ -	\$ 25,180
2022	25,180	-	25,180
2023	25,180	-	25,180
2024	25,180	-	25,180
	<u><u>\$ 100,720</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,720</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

On December 30, 2019, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a cab and chassis. This lease is due and payable in 60 monthly payments of \$898 beginning September 15, 2020. Payments include interest of 3.644%. This lease will be paid in full on August 15, 2025.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 9,164	\$ 1,613	\$ 10,777
2022	9,502	1,274	10,776
2023	9,854	921	10,775
2024	10,219	556	10,775
2025	9,700	178	9,878
	<u><u>\$ 48,439</u></u>	<u><u>\$ 4,542</u></u>	<u><u>\$ 52,981</u></u>

Government Capital

On October 15, 2012, the City entered a capital lease agreement with Government Capital. 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 \$131,129, \$278,650, and \$136,594, respectively.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 239,015	\$ 15,365	\$ 254,380
2022	247,096	7,284	254,380
2023	60,262	526	60,788
	<u><u>\$ 546,373</u></u>	<u><u>\$ 23,175</u></u>	<u><u>\$ 569,548</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

On March 10, 2020, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a bucket truck. This lease is due and payable in 84 monthly payments of \$1,671 beginning May 1, 2015. Payments include interest of 3.17%. This lease will be paid in full on May 15, 2027.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 16,476	\$ 3,578	\$ 20,054
2022	17,006	3,048	20,054
2023	17,553	2,500	20,053
2024	18,117	1,936	20,053
2025-2027	51,214	2,263	53,477
	\$ 120,366	\$ 13,325	\$ 133,691

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.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 210,000	\$ -	\$ 210,000
2022	210,000	-	210,000
2023	210,000	-	210,000
2024	210,000	-	210,000
2025-2031	1,470,000	-	1,470,000
	\$ 2,310,000	\$ -	\$ 2,310,000

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

*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.

Year Ended September 30,	Principal	Interest	Total
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><u>\$ 140,000</u></u>	<u><u>\$ 9,395</u></u>	<u><u>\$ 149,395</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

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

On October 15, 2012, the City issued the Combination Tax & Surplus Wastewater & Sewer System Revenue Certificates of Obligation, Series 2012 in the amount of \$1,200,000. The City filed an application for financial assistance in the amount of \$2,651,990 with the Texas Water Development Board (TWBD) from 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.

Year Ended September 30,	Principal	Interest	Total
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
	<u><u>\$ 510,000</u></u>	<u><u>\$ 28,152</u></u>	<u><u>\$ 538,152</u></u>

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
2021	\$ 2,639	\$ 27	\$ 2,666
	<u><u>\$ 2,639</u></u>	<u><u>\$ 27</u></u>	<u><u>\$ 2,666</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

On October 15, 2013, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a 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
2021	\$ 20,680	\$ 2,216	\$ 22,896
2022	21,472	601	22,073
2023	22,295	18	22,313
2024	3,798	18	3,816
	<hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/>
	\$ 68,245	\$ 2,853	\$ 71,098

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 was paid in full during fiscal year 2020.

Government Capital

On May 22, 2020, the City entered a capital lease agreement with Government Capital. This lease was for the purchase of a commercial trash truck. This lease is due and payable in 60 monthly payments of \$3,250 beginning August 15, 2020. Payments include interest of 3.12%. This lease will be paid in full on July 15, 2025.

Year Ended September 30,	Principal	Interest	Total
2021	\$ 34,027	\$ 4,938	\$ 38,965
2022	35,104	3,891	38,995
2023	36,215	2,780	38,995
2024	37,361	1,634	38,995
2025	32,037	460	32,497
	<hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/>
	\$ 174,744	\$ 13,703	\$ 188,447

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

12. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Government Capital

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

Year Ended September 30,	Principal	Interest	Total
2021	\$ 27,124	\$ 852	\$ 27,976
2022	9,257	68	9,325
	<u><u>\$ 36,381</u></u>	<u><u>\$ 920</u></u>	<u><u>\$ 37,301</u></u>

City of Brady Civic Center Improvements

On March 19, 2019, the City approved a performance agreement with the EDC to pay the City of Brady for remodeling and expansion of the Civic Center. The amount due to the City was \$679,166 as of September 30, 2020. The liability bears no interest. The City records a note receivable for the same amount.

The agreement states that one quarter of sales tax revenues will be applied to the outstanding balance until paid in full to the City. Payment terms also state that there will be a period of no payments equal to \$219,537 as a result of the EDC donating an airport hangar to the City to be applied as credit towards the note payable.

	Balance			Balance	Amount Due Within One Year	
	10/1/2019	Additions	Reductions	9/30/2020	\$	\$
Economic Development Corporation						
City of Brady Civic Center Improvements	\$ 679,166	\$ -	\$ -	\$ 679,166	\$ -	\$ -
Total Bonds, Notes, and Capital Leases Payable	<u><u>\$ 679,166</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 679,166</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

13. 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 \$584,337 as of September 30, 2020, which was based on 31.94% usage (filled) of the landfill. It is estimated that an additional \$1,245,019 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 (\$1,829,356) 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, 2020. 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 \$584,337 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, 2020

14. 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 for other postemployment benefits. 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.

15. Restricted Net Position

The City reported the following restricted net position at September 30, 2020:

Restricted For:	Governmental Activities	Business-Type Activities	Total Governmental Funds
Debt Service	\$ 22,362	\$ 154,315	\$ 176,677
State, Local, and Federally Funded Programs	31,110,017	272,628	31,382,645
Street Sanitation	-	29,678	29,678
Police Activities	21,283	-	21,283
Total Restricted	\$ 31,153,662	\$ 456,621	\$ 31,610,283

CITY OF BRADY, TEXAS
Notes to Financial Statements (continued)
September 30, 2020

16. Fund Balances

The City reported the following fund balance designations at September 30, 2020:

	General Fund	Water Construction Fund	WWTP Construction Fund	Special Revenue Fund	Cemetery Fund	Hotel/Motel Fund	Special Purpose Fund	Total Governmental Funds
Nonspendable:								
Inventory	\$ 29,623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,623
Total Nonspendable	\$ 29,623	-	-	-	-	-	-	\$ 29,623
Restricted For:								
Debt Service	22,362	-	-	-	-	-	-	22,362
State and Federally Funded Programs	-	28,569,919	14,514,670	131,783	-	-	-	43,216,372
Police Activities	-	-	-	-	-	-	21,283	21,283
Cemetery	-	-	-	-	109,992	-	-	109,992
Hotel/Motel	-	-	-	-	-	127,761	-	127,761
Total Restricted	22,362	28,569,919	14,514,670	131,783	109,992	127,761	21,283	43,497,770
Unassigned	4,089,637	-	-	-	-	-	-	4,089,637
Total Fund Balances	\$ 4,141,622	\$ 28,569,919	\$ 14,514,670	\$ 131,783	\$ 109,992	\$ 127,761	\$ 21,283	\$ 47,617,030

17. 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.

18. Subsequent Events

Subsequent to year end, the World Health Organization declared a pandemic for the novel COVID-19 virus. Concurrently, the US stock market has experienced significant losses since the beginning of the new calendar year and fiscal year. Management is assessing the effects on the City's operations to best navigate the volatility.

The City has evaluated subsequent events through March 23, 2021, 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.

Required Supplementary Information

CITY OF BRADY, TEXAS

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

General Fund

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)		
REVENUES					
Property Tax	\$ 908,000	\$ 908,000	\$ 921,266	\$ 13,266	
Sales Tax	900,000	900,000	986,359	86,359	
Franchise Taxes	22,000	22,000	20,931	(1,069)	
Mixed Beverage Tax	5,000	5,000	5,721	721	
Interest Income	53,900	53,900	55,129	1,229	
Miscellaneous Revenue	-	-	2,825	2,825	
Reimbursed Expenses	-	-	28,566	28,566	
Administrative Services	1,850,000	1,850,890	1,851,083	193	
Airport Revenue	458,200	296,200	262,883	(33,317)	
Public Property Maintenance	32,500	32,500	39,794	7,294	
Golf Course	75,600	75,600	103,863	28,263	
Swimming Pool	17,600	17,600	7,412	(10,188)	
Fire Department	1,000	1,000	1,125	125	
Police Department	700	74,700	10,641	(64,059)	
Emergency Op Center	15,000	75,000	321,752	246,752	
Community Services Administration	-	-	7,500	7,500	
Street Department	3,000	3,000	6,499	3,499	
Civic Center	21,000	17,000	17,400	400	
Municipal Court	67,300	67,300	81,366	14,066	
Animal Control	300	300	1,255	955	
City/County EMS	275,000	284,000	397,684	113,684	
Lake Department	128,100	154,100	260,904	106,804	
Financial Administration	4,500	4,500	4,875	375	
Building & Permitting	20,000	20,000	35,038	15,038	
Donations	-	12,459	18,100	5,641	
Grant Revenue	-	-	7,366	7,366	
Total Revenues	\$ 4,858,700	\$ 4,875,049	\$ 5,457,337	\$ 582,288	

CITY OF BRADY, TEXAS

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

General Fund

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)		Variance with Final Budget Positive (Negative)
	Original	Final	Original	Final	
EXPENDITURES					
Administration	\$ 617,180	\$ 664,207	\$ 618,218	\$ 618,218	45,989
Airport	526,004	422,004	337,549	337,549	84,455
Public Property Maintenance	434,151	434,151	403,194	403,194	30,957
Mayor and Council	54,371	56,571	31,561	31,561	25,010
Golf Course	345,162	345,162	367,621	367,621	(22,459)
Swimming Pool	99,609	99,609	82,606	82,606	17,003
Fire Department	380,812	387,812	309,383	309,383	78,429
Police Department	1,052,096	1,129,670	969,627	969,627	160,043
Emergency Op Center	11,300	86,300	60,727	60,727	25,573
Communications	271,462	271,462	158,729	158,729	112,733
Community Services Administration	127,066	109,866	68,997	68,997	40,869
Street Department	609,860	609,860	507,730	507,730	102,130
Civic Center	42,100	32,100	20,695	20,695	11,405
Municipal Court	119,225	122,125	121,457	121,457	668
Special Services	1,600	56,600	54,895	54,895	1,705
Repair Shop	70,828	70,828	67,296	67,296	3,532
Animal Control	122,455	126,795	126,005	126,005	790
City/County EMS	1,583,743	1,621,743	1,518,678	1,518,678	103,065
Lake Department	190,929	196,929	208,560	208,560	(11,631)
G.R. White Complex	11,000	11,000	4,471	4,471	6,529
Purchasing	67,086	67,086	65,462	65,462	1,624
Financial Administration	307,983	307,983	296,560	296,560	11,423
Building & Permitting	223,352	375,225	293,680	293,680	81,545
Capital Outlay	255,000	565,387	397,576	397,576	167,811
Debit Service					
Principal	437,810	440,810	420,539	420,539	20,271
Interest	45,660	46,660	38,743	38,743	7,917
Total Expenditures	<u>8,007,844</u>	<u>8,657,945</u>	<u>7,550,559</u>	<u>7,550,559</u>	<u>1,107,386</u>
Excess (Deficiency) of Revenues					
Over Expenditures	(3,149,144)	(3,782,896)	(2,093,222)	(2,093,222)	1,689,674
OTHER FINANCING SOURCES (USES)					
Transfers In	2,600,000	2,600,000	2,600,000	2,600,000	-
Donated Assets	-	-	282	282	282
Lease Proceeds	245,000	289,000	266,129	266,129	(22,871)
Sale of Capital Assets	-	-	10,614	10,614	10,614
Total Other Financing Sources (Uses)	<u>2,845,000</u>	<u>2,889,000</u>	<u>2,877,025</u>	<u>2,877,025</u>	<u>(11,975)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(304,144)	(893,896)	783,803	783,803	1,677,699
Fund Balance - Beginning, GAAP Basis	<u>3,357,819</u>	<u>3,357,819</u>	<u>3,357,819</u>	<u>3,357,819</u>	<u>-</u>
Fund Balance - Ending, GAAP and Budgetary Basis	<u>\$ 3,053,675</u>	<u>\$ 2,463,923</u>	<u>\$ 4,141,622</u>	<u>\$ 4,141,622</u>	<u>\$ 1,677,699</u>

CITY OF BRADY, TEXAS

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

Water Construction Fund

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)	
REVENUES				
Water & Sewer Construction Revenue	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>251,544</u>	<u>251,544</u>
EXPENDITURES				
Capital Outlay	15,219,463	28,527,463	466,772	28,060,691
Total Expenditures	<u>15,219,463</u>	<u>28,527,463</u>	<u>466,772</u>	<u>28,060,691</u>
Excess (Deficiency) of Revenues Over Expenditures	(15,219,463)	(28,527,463)	(215,228)	28,312,235
Fund Balance - Beginning, GAAP Basis	28,785,147	28,785,147	28,785,147	-
Fund Balance - Ending, GAAP and Budgetary Basis	<u>\$ 13,565,684</u>	<u>\$ 257,684</u>	<u>\$ 28,569,919</u>	<u>\$ 28,312,235</u>

CITY OF BRADY, TEXAS

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

WWTP Construction Fund

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)	
REVENUES				
Water & Sewer Construction Revenue	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>123,860</u>	<u>123,860</u>
EXPENDITURES				
Capital Outlay	10,435,000	14,391,605	18,658	14,372,947
Total Expenditures	<u>10,435,000</u>	<u>14,391,605</u>	<u>18,658</u>	<u>14,372,947</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,435,000)	(14,391,605)	105,202	14,496,807
Fund Balance - Beginning, GAAP Basis	14,409,468	14,409,468	14,409,468	-
Fund Balance - Ending, GAAP and Budgetary Basis	<u>\$ 3,974,468</u>	<u>\$ 17,863</u>	<u>\$ 14,514,670</u>	<u>\$ 14,496,807</u>

CITY OF BRADY, TEXAS

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

Special Revenue Fund

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)		
REVENUES					
Sales Taxes	\$ 220,000	\$ 220,000	\$ 240,405	\$ 20,405	
Senior Citizen Revenues	20,000	20,000	20,568	568	
Community Development	-	9,834	5,200	(4,634)	
Grant Revenues	<u>67,600</u>	<u>667,600</u>	<u>337,211</u>	<u>(330,389)</u>	
Total Revenues	<u>307,600</u>	<u>917,434</u>	<u>603,384</u>	<u>(314,050)</u>	
EXPENDITURES					
Pass-Through Services	220,000	220,000	240,405	(20,405)	
Senior Citizens Program	226,733	226,733	223,366	3,367	
Community Development	-	9,834	5,200	4,634	
Capital Outlay	-	636,277	271,661	364,616	
Total Expenditures	<u>446,733</u>	<u>1,092,844</u>	<u>740,632</u>	<u>352,212</u>	
Excess (Deficiency) of Revenues Over Expenditures	(139,133)	(175,410)	(137,248)	38,162	
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	120,000	120,000	120,000	-	
Total Other Financing Sources and Uses	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(19,133)	(55,410)	(17,248)	38,162	
Fund Balance - Beginning, GAAP Basis	<u>149,031</u>	<u>149,031</u>	<u>149,031</u>	<u>-</u>	
Fund Balance - Ending, GAAP and Budgetary Basis	\$ <u>129,898</u>	\$ <u>93,621</u>	\$ <u>131,783</u>	\$ <u>38,162</u>	

CITY OF BRADY, TEXAS

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

Cemetery Fund

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
REVENUES				
Cemetery Maintenance	\$ 45,950	\$ 45,950	\$ 46,788	\$ 838
Total Revenues	<u>45,950</u>	<u>45,950</u>	<u>46,788</u>	<u>838</u>
EXPENDITURES				
Cemetery Maintenance	53,007	79,977	58,543	21,434
Total Expenditures	<u>53,007</u>	<u>79,977</u>	<u>58,543</u>	<u>21,434</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,057)	(34,027)	(11,755)	22,272
Fund Balance - Beginning, GAAP Basis	<u>121,747</u>	<u>121,747</u>	<u>121,747</u>	<u>-</u>
Fund Balance - Ending, GAAP and Budgetary Basis	\$ 114,690	\$ 87,720	\$ 109,992	\$ 22,272

CITY OF BRADY, TEXAS

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

Hotel/Motel Fund

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)		
REVENUES					
Hotel Occupancy Taxes	\$ 180,000	\$ 180,000	\$ 219,449	\$ 39,449	
Total Revenues	<u>180,000</u>	<u>180,000</u>	<u>219,449</u>	<u>39,449</u>	
EXPENDITURES					
Hotel/Motel	244,896	244,896	224,176	20,720	
Total Expenditures	<u>244,896</u>	<u>244,896</u>	<u>224,176</u>	<u>20,720</u>	
Excess (Deficiency) of Revenues Over Expenditures	(64,896)	(64,896)	(4,727)	60,169	
Fund Balance - Beginning, GAAP Basis	132,488	132,488	132,488	-	
Fund Balance - Ending, GAAP and Budgetary Basis	<u>67,592</u>	<u>67,592</u>	<u>127,761</u>	<u>60,169</u>	

CITY OF BRADY, TEXAS

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

Special Purpose Fund

Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)	
REVENUES				
Police Department	\$ 2,700	\$ 2,700	\$ 2,664	\$ (36)
Total Revenues	<u>2,700</u>	<u>2,700</u>	<u>2,664</u>	<u>(36)</u>
EXPENDITURES				
Police Department	18,000	18,000	8,825	9,175
Total Expenditures	<u>18,000</u>	<u>18,000</u>	<u>8,825</u>	<u>9,175</u>
Excess (Deficiency) of Revenues Over Expenditures	(15,300)	(15,300)	(6,161)	9,139
Fund Balance - Beginning, GAAP Basis	<u>27,444</u>	<u>27,444</u>	<u>27,444</u>	<u>-</u>
Fund Balance - Ending, GAAP and Budgetary Basis	<u>\$ 12,144</u>	<u>\$ 12,144</u>	<u>\$ 21,283</u>	<u>\$ 9,139</u>

CITY OF BRADY, TEXAS
Notes to the Budgetary Comparison Schedules
September 30, 2020

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, Water Construction Fund, WWTP Construction Fund, Special Revenue Fund, Cemetery Fund, Hotel/Motel Fund and the Special Purpose Fund are presented as Required Supplemental Information.

Expenditures Exceeding Budget

The City's General, Water Construction, WWTP Construction, Special Revenue, Cemetery, Hotel/Motel, and Special Purpose Funds had no expenditures in excess of budgeted amounts for the fiscal year ending September 30, 2020.

CITY OF BRADY, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios –
Last 10 Years*
September 30, 2020

	2020	2019	2018	2017	2015	2014
Total Pension Liability						
Service Cost	\$ 626,429	\$ 601,139	\$ 540,688	\$ 521,298	\$ 464,500	\$ 407,549
Interest (on the Total Pension Liability)	725,298	679,809	641,623	588,735	577,768	540,559
Difference between expected and actual experience	(137,771)	(232,070)	(285,297)	15,972	(375,588)	(123,488)
Change of assumptions	42,890	-	-	-	123,568	-
Benefit payments, including refunds of employee contributions	(409,339)	(365,873)	(357,154)	(347,221)	(353,720)	(289,341)
Net Change in Total Pension Liability	<u>847,507</u>	<u>683,005</u>	<u>539,860</u>	<u>778,784</u>	<u>436,528</u>	<u>535,279</u>
Total Pension Liability - Beginning	<u>10,636,617</u>	<u>9,953,612</u>	<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>\$ 11,484,124</u>	<u>\$ 10,636,617</u>	<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	\$ 445,884	\$ 438,477	\$ 403,616	\$ 365,382	\$ 370,043	\$ 351,829
Contributions - Employee	260,831	249,608	227,818	218,574	212,262	194,223
Net Investment Income	1,429,501	(275,782)	1,087,822	482,335	10,197	360,294
Benefit payments, including refunds of employee contributions	(409,339)	(365,873)	(357,154)	(347,221)	(353,720)	(289,341)
Administrative Expense	(8,083)	(5,333)	(5,642)	(5,451)	(6,211)	(3,761)
Other	(242)	(279)	(286)	(294)	(308)	(309)
Net Change in Plan Fiduciary Net Position	<u>1,718,552</u>	<u>40,818</u>	<u>1,356,174</u>	<u>713,325</u>	<u>232,263</u>	<u>612,935</u>
Plan Fiduciary Net Position - Beginning	<u>9,252,662</u>	<u>9,211,844</u>	<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>\$ 10,971,214</u>	<u>\$ 9,252,662</u>	<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)	<u>\$ 512,910</u>	<u>\$ 1,383,955</u>	<u>\$ 741,768</u>	<u>\$ 1,558,082</u>	<u>\$ 1,492,623</u>	<u>\$ 1,288,358</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.53%	86.99%	92.55%	83.45%	82.71%	84.29%
Covered Employee Payroll	\$ 4,347,183	\$ 4,160,130	\$ 3,796,968	\$ 3,642,893	\$ 3,537,699	\$ 3,178,565
Net Pension Liability as a Percentage of Covered Employee Payroll	11.80%	33.27%	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.

CITY OF BRADY, TEXAS

Schedule of Changes in Postemployment Benefits Other Than Pensions (OPEB) Liability and Related Ratios – Last 10 Years* September 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 16,519	\$ 16,225	\$ 13,289
Interest (on the Total OPEB Liability)	9,320	8,551	8,326
Difference between expected and actual experience	(24,128)	(12,463)	-
Change of assumptions	47,639	(16,408)	17,990
Benefit payments, including refunds of employee contributions	(3,043)	(3,328)	(2,658)
Net Change in Total OPEB Liability	<u>46,307</u>	<u>(7,423)</u>	<u>36,947</u>
 Total OPEB Liability - Beginning	 <u>244,468</u>	<u>251,891</u>	<u>214,944</u>
 Total OPEB Liability - Ending	 <u>\$ 290,775</u>	<u>\$ 244,468</u>	<u>\$ 251,891</u>
 Covered Employee Payroll	 <u>\$ 4,347,183</u>	<u>\$ 4,160,130</u>	<u>\$ 3,796,968</u>
 OPEB Liability as a Percentage of Covered Employee Payroll	 <u>6.69%</u>	<u>5.88%</u>	<u>6.63%</u>

SUPPLEMENTAL SECTION

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Electric Fund
Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Electrical Distribution	\$ 7,337,040	\$ 7,337,040	\$ 7,299,510	\$ (37,530)
Grant Revenue	-	-	1,152,572	1,152,572
Interest Income	56,000	56,000	56,327	327
Reimbursed Expenses	-	177,000	177,874	874
Total Revenues	<u>7,393,040</u>	<u>7,570,040</u>	<u>8,686,283</u>	<u>1,116,243</u>
EXPENDITURES				
Power Plant	5,700	10,475	7,163	3,312
Electrical Distribution	4,885,933	4,926,845	4,561,636	365,209
Bad Debt Expense	25,000	25,000	31,500	(6,500)
Capital Outlay	143,000	484,300	1,462,356	(978,056)
Debt Service				
Principal Payments	73,500	73,500	60,145	13,355
Interest Payments	8,000	8,000	7,588	412
Total Expenditures	<u>5,141,133</u>	<u>5,528,120</u>	<u>6,130,388</u>	<u>(602,268)</u>
Excess Revenues Over (Under) Expenditures	2,251,907	2,041,920	2,555,895	513,975
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	130,000	130,000	-	(130,000)
Transfers Out	(2,600,000)	(2,600,000)	(2,600,000)	-
Total Other Financing Sources (Uses)	<u>(2,470,000)</u>	<u>(2,470,000)</u>	<u>(2,600,000)</u>	<u>(130,000)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(218,093)	(428,080)	(44,105)	383,975
Net Position - Beginning, GAAP Basis	<u>4,964,894</u>	<u>4,964,894</u>	<u>4,964,894</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	<u>\$ 4,746,801</u>	<u>\$ 4,536,814</u>	<u>4,920,789</u>	<u>\$ 383,975</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(124,583)	
Accrued Compensated Absences - The City does not budget for compensated leave			6,423	
Principal Payments - The City budgets for principal debt payments			60,145	
Accrued Interest Payable - The City does not budget for accrued interest			1,307	
Capital Outlay - The City budgets for capital outlay			1,462,356	
Net Position- Ending, GAAP Basis			<u>\$ 6,326,437</u>	

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Water & Sewer Fund
Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Water Department	\$ 3,038,000	\$ 3,038,000	\$ 2,986,314	\$ (51,686)
Wastewater	1,345,000	1,252,000	1,274,044	22,044
Interest Revenue	56,000	56,000	59,471	3,471
Grant Revenue	-	-	1,509,667	1,509,667
Reimbursed Expenses	-	-	1,606	1,606
Total Revenues	<u>4,439,000</u>	<u>4,346,000</u>	<u>5,831,102</u>	<u>1,485,102</u>
EXPENDITURES				
Water Department	2,268,816	2,268,816	1,867,988	400,828
Bad Debt Expense	11,000	11,000	14,900	(3,900)
Capital Outlay	458,000	1,134,743	2,289,732	(1,154,989)
Debt Service				
Principal Payments	487,000	487,000	486,905	95
Interest Payments	16,500	16,500	16,451	49
Total Expenditures	<u>3,241,316</u>	<u>3,918,059</u>	<u>4,675,976</u>	<u>(757,917)</u>
Excess Revenues Over (Under) Expenditures	1,197,684	427,941	1,155,126	727,185
OTHER FINANCING SOURCES (USES)				
Transfers Out	(320,000)	(320,000)	(320,000)	-
Total Other Financing Sources (Uses)	<u>(320,000)</u>	<u>(320,000)</u>	<u>(320,000)</u>	<u>-</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	877,684	107,941	835,126	727,185
Net Position - Beginning, GAAP Basis	<u>20,078,046</u>	<u>20,078,046</u>	<u>20,078,046</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>20,955,730</u>	\$ <u>20,185,987</u>	\$ <u>20,913,172</u>	\$ <u>727,185</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(587,807)	
Accrued Compensated Absences - The City does not budget for compensated leave			(104,710)	
Principal Payments - The City budgets for principal debt payments			486,905	
Accrued Interest Payable - The City does not budget for accrued interest			(14)	
Capital Outlay - The City budgets for capital outlay			2,289,732	
Net Position - Ending, GAAP Basis	\$	<u>22,997,278</u>		

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Gas Fund
Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Gas Distribution	\$ 1,028,500	\$ 1,011,000	\$ 920,288	\$ (90,712)
Interest Revenue	10,000	10,000	10,058	58
Grant Revenue	-	-	888,993	888,993
Reimbursed Expenses	-	-	903	903
Total Revenues	<u>1,038,500</u>	<u>1,021,000</u>	<u>1,820,242</u>	<u>799,242</u>
EXPENDITURES				
Gas Department	983,298	983,298	847,779	135,519
Bad Debt Expense	3,000	3,000	2,100	900
Capital Outlay	25,000	91,000	932,829	(841,829)
Debt Service				
Principal Payments	64,000	64,000	63,949	51
Interest Payments	6,100	6,100	6,041	59
Total Expenditures	<u>1,081,398</u>	<u>1,147,398</u>	<u>1,852,698</u>	<u>(705,300)</u>
Excess Revenues Over (Under) Expenditures	(42,898)	(126,398)	(32,456)	93,942
OTHER FINANCING SOURCES (USES)				
Transfers Out	(80,000)	(80,000)	(80,000)	-
Total Other Financing Sources (Uses)	<u>(80,000)</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(122,898)	(206,398)	(112,456)	93,942
Net Position - Beginning, GAAP Basis	<u>1,663,130</u>	<u>1,663,130</u>	<u>1,663,130</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>1,540,232</u>	\$ <u>1,456,732</u>	\$ <u>1,550,674</u>	\$ <u>93,942</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(116,528)	
Accrued Compensated Absences - The City does not budget for compensated leave			(36,800)	
Principal Payments - The City budgets for principal debt payments			63,949	
Accrued Interest Payable - The City does not budget for accrued interest			411	
Capital Outlay - The City budgets for capital outlay			932,829	
Net Position - Ending, GAAP Basis			\$ <u>2,394,535</u>	

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Solid Waste Fund
Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
REVENUES				
Solid Waste	\$ 1,176,000	\$ 1,176,000	\$ 1,198,003	\$ 22,003
Interest Revenue	16,000	16,000	16,093	93
Total Revenues	<u>1,192,000</u>	<u>1,192,000</u>	<u>1,214,096</u>	<u>22,096</u>
EXPENDITURES				
Solid Waste	1,177,234	1,177,234	1,105,678	71,556
Bad Debt Expense	4,000	4,000	3,985	15
Capital Outlay	170,000	179,471	-	179,471
Debt Service				
Principal Payments	78,350	78,350	51,063	27,287
Interest Payments	5,050	5,050	3,807	1,243
Total Expenditures	<u>1,434,634</u>	<u>1,444,105</u>	<u>1,164,533</u>	<u>279,572</u>
Excess Revenues Over (Under) Expenditures	(242,634)	(252,105)	49,563	301,668
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	170,000	179,741	179,471	(270)
Transfers Out	(113,400)	(147,000)	(147,315)	(315)
Total Other Financing Sources (Uses)	<u>56,600</u>	<u>32,741</u>	<u>32,156</u>	<u>(585)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(186,034)	(219,364)	81,719	301,083
Net Position - Beginning, GAAP Basis	<u>561,708</u>	<u>561,708</u>	<u>561,708</u>	-
Net Position - Ending, Budgetary Basis	\$ <u>375,674</u>	\$ <u>342,344</u>	\$ <u>643,427</u>	\$ <u>301,083</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(53,808)	
Accrued Compensated Absences - The City does not budget for compensated leave			(44,913)	
Principal Payments- The City budgets for principal debt payments			51,063	
Accrued Interest Payable - The City does not budget for accrued interest			13	
Loan Proceeds - The City budgets for loan proceeds.			(179,471)	
Capital Contributions transferred to Street Sanitation Fund - The City does not budget for capital asset transfers.			71,576	
Net Position - Ending, GAAP Basis	\$ <u>487,887</u>			

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Street Sanitation Fund
Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Street Sanitation	\$ 74,000	\$ 74,000	\$ 73,881	\$ (119)
Total Revenues	<u>74,000</u>	<u>74,000</u>	<u>73,881</u>	<u>(119)</u>
EXPENDITURES				
Street Sanitation	76,391	76,391	53,405	22,986
Bad Debt Expense	1,500	1,500	521	979
Capital Outlay	10,000	10,000	8,500	1,500
Debt Service				
Principal Payments	19,920	19,920	19,916	4
Interest Payments	2,980	2,980	2,979	1
Total Expenditures	<u>110,791</u>	<u>110,791</u>	<u>85,321</u>	<u>25,470</u>
Excess Revenues Over (Under) Expenditures	(36,791)	(36,791)	(11,440)	25,351
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	107,315	107,315
Loan Proceeds	73,400	107,000	-	(107,000)
Total Other Financing Sources (Uses)	<u>73,400</u>	<u>107,000</u>	<u>107,315</u>	<u>315</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	36,609	70,209	95,875	25,666
Net Position - Beginning, GAAP Basis	-	-	-	-
Net Position - Ending, Budgetary Basis	\$ 36,609	\$ 70,209	\$ 95,875	\$ 25,666
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(14,610)	
Accrued Compensated Absences - The City does not budget for compensated leave			(8,319)	
Principal Payments- The City budgets for principal debt payments			19,916	
Accrued Interest Payable - The City does not budget for accrued interest			(108)	
Capital Outlay - The City budgets for capital outlay.			8,500	
Transfers - The City did not budget for transfers for this fund			(71,576)	
Net Position - Ending, GAAP Basis			\$ 29,678	

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Utility Support Fund
Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)		Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
Utility Support	\$ 248,800	\$ 231,800	\$ 201,726	\$ (30,074)	
Interest Revenue	10,000	10,000	10,058	58	
Reimbursed Expenses	-	-	1,378	1,378	
Total Revenues	<u>258,800</u>	<u>241,800</u>	<u>213,162</u>	<u>(28,638)</u>	
EXPENDITURES					
Administration	237,500	245,300	208,758	36,542	
Meter Shop	71,816	71,816	57,703	14,113	
Billing-Collection	283,927	283,927	258,062	25,865	
Bad Debt Expense	3,500	3,600	9,000	(5,400)	
Capital Outlay	-	800	831	(31)	
Total Expenditures	<u>596,743</u>	<u>605,443</u>	<u>534,354</u>	<u>71,089</u>	
Excess of Revenues Over (Under) Expenditures	(337,943)	(363,643)	(321,192)	42,451	
OTHER FINANCING SOURCES (USES)					
Transfers In	320,000	320,000	320,002	2	
Total Other Financing Sources (Uses)	<u>320,000</u>	<u>320,000</u>	<u>320,002</u>	<u>2</u>	
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(17,943)	(43,643)	(1,190)	42,453	
Net Position - Beginning, GAAP Basis	<u>2,511,610</u>	<u>2,511,610</u>	<u>2,511,610</u>	<u>-</u>	
Net Position - Ending, Budgetary Basis	\$ <u>2,493,667</u>	\$ <u>2,467,967</u>	\$ <u>2,510,420</u>	\$ <u>42,453</u>	
Adjustments to Reconcile the Budgetary Amounts to GAAP:					
Depreciation - The City does not budget for depreciation expense			(113,585)		
Accrued Compensated Absences - The City does not budget for compensated leave			(24,411)		
Capital Outlay - The City budgets for capital outlay.			831		
Net Position - Ending, GAAP Basis	\$ <u>2,373,255</u>				

CITY OF BRADY, TEXAS
Notes to the Budgetary Comparison Schedules
Proprietary Funds
September 30, 2020

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 Solid Waste, Street Sanitation and Utility Support Funds had no expenditures in excess of budgeted amounts for the fiscal year ending September 30, 2020.

The City's Electric, Water & Sewer, and Gas Funds, however did have expenditures in excess of budget for fiscal year ending September 30, 2020. This is the result of the Highway 377 N. expansion project that was done by TXDOT grant efforts.

CITY OF BRADY, TEXAS
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and
Actual
Economic Development Corporation
Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General Revenues				
Sales Tax Collections	\$ 220,000	\$ 220,000	\$ 240,405	\$ 20,405
Interest Income	12,000	12,000	9,849	(2,151)
Loan Income	14,300	-	-	-
Reimbursed Expenses	1,000	1,000	-	(1,000)
Charges for Services				
Rent Income	-	14,534	7,078	(7,456)
Total Revenues	<u>247,300</u>	<u>247,534</u>	<u>257,332</u>	<u>9,798</u>
EXPENDITURES				
Current				
Marketing	32,000	32,000	7,815	24,185
Professional/Legal Fees	15,000	15,000	15,818	(818)
COVID Relief	-	150,000	130,000	20,000
Administration	53,000	29,000	31,500	(2,500)
Community Development	-	7,500	50,000	(42,500)
Travel and Training	11,000	11,000	1,580	9,420
Office Supplies	-	-	160	(160)
Depreciation	-	-	2,176	(2,176)
Qualified Projects	-	150,895	-	150,895
Total Expenditures	<u>111,000</u>	<u>395,395</u>	<u>239,049</u>	<u>156,346</u>
Excess of Revenues Over (Under)				
Expenditures	136,300	(147,861)	18,283	166,144
Net Position - Beginning	<u>24,494</u>	<u>24,494</u>	<u>24,494</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	<u>\$ 160,794</u>	<u>\$ (123,367)</u>	<u>\$ 42,777</u>	<u>\$ 166,144</u>

CITY OF BRADY, TEXAS
Notes to the Budgetary Comparison Schedules
Economic Development Corporation
September 30, 2020

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, 2020.

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

EDC had had no expenditures in excess of budgeted amounts for the fiscal year ending September 30, 2020.

CITY OF BRADY, TEXAS
Single Audit Compliance Information
Schedule of Expenditures of Federal and State Awards
September 30, 2020

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	\$ 14,787	\$ -
Nutrition Services Incentive Program	93.053	N/A	59,873	-
Total U.S. Department of Health and Human Services			74,660	-
U.S. Department of Transportation				
Passed Through the Texas Department of Transportation				
Airport Improvement Program - Repavement Program	20.106	1723BRADY	5,200	-
Airport Improvement Program - Master Plan Development	20.106	1923BRADY	256,790	-
Total U.S. Department of Transportation			261,990	-
U.S. Department of Housing and Urban Development				
Passed Through Texas Department of Agriculture				
Community Development Block Grant	14.228	7219499	39,600	-
Total U.S. Department of Agriculture			39,600	-
U.S. Department of Justice				
Law Enforcement Assistance National Instant Criminal Background Check System	16.738	3688901	10,000	-
Total U.S. Department of Justice			10,000	-
U.S. Department of Treasury				
Coronavirus Relief Fund	21.019	SPA 2020-299	308,990	-
Total U.S. Department of Treasury			308,990	-
U.S. Environmental Protection Agency				
Passed Through the Texas Water Development Board				
Capitalization Grants For Clean Water State Revolving Funds - Loan	66.458	#L1000011	33,895	-
Capitalization Grants For Clean Water State Revolving Funds - Loan Forgiveness	66.458	#LF1001006	18,658	-
Capitalization Grants For Drinking Water State Revolving Funds - Grant	66.468	GT #G1000424	46,055	-
Capitalization Grants For Drinking Water State Revolving Funds - Grant	66.468	GT #G1000916	466,772	-
Total U.S. Environmental Protection Agency			565,380	-
Total Federal Awards Expended			1,260,620	-
Revenue Loss Supplement				
U.S. Department of Health and Human Services				
Passed Through the Texas Department of Health and Human Services				
Ambulance Supplemental Payment Program	93.224	32501	\$ 46,503	\$ -
Total U.S. Department of Health and Human Services			46,503	-
State Grantor/Program or Grant Title				
Texas Department of Transportation				
RAMP Grant	N/A	M2023BRAD	-	7,366
Total Texas Department of Transportation			-	7,366
Texas Parks and Wildlife Department				
BRADY Richards Park III	N/A	50-000464	-	3,567
Total Texas Parks and Wildlife Department			-	3,567
Texas Department of Agriculture				
Home-Delivered Meal Grant Program	N/A	HDM-20-5128	-	5,761
Total Texas Department of Agriculture			-	5,761
Texas Department of Health and Human Services				
Passed Through the Concho Valley Regional Advisory Council				
EMS County Pass-Thru	N/A	124600018	-	11,195
Total Texas Department of Agriculture			-	11,195
Total State Awards Expended			-	27,889
Total Federal and State Awards Expended			\$ 1,307,123	\$ 27,889

CITY OF BRADY, TEXAS
Single Audit Compliance Information
Notes to the Schedule of Expenditures of Federal and State Awards
September 30, 2020

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, 2020. 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 Uniform Guidance, 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, 2020. 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>
CO 2013 - DWSRF	66.468	L1000115	\$ 140,000
CO 2012 - CWSRF	66.458	L1000011	\$ 510,000
CO 2019 - DWSRF	66.468	L1000917	\$ 10,830,000
CO 2019A - CWSRF	66.458	L1001004	\$ 8,400,000
CO 2019B - CWSRF	66.458	L1001005	\$ 2,035,000

CITY OF BRADY, TEXAS
Single Audit Compliance Information
Schedule of Findings and Questioned Costs
September 30, 2020

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 Weaknesses	None
Noncompliance Material to Financial Statements	None
Federal Awards	
Internal Control over Major Programs:	
Material Weakness	None
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	None
Type of Auditor's Report Issued on Compliance for Major Programs	Unmodified
Findings and Questioned Costs for Federal Awards as Defined by the Uniform Guidance:	None
Identification of Major Programs:	Capitalization Grants for Drinking Water State Revolving Funds. CFDA No. 66.468
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, 2020

No prior year findings.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brady, Texas (the City), increase as of and for the year ended September 30, 2020, 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 March 23, 2021.

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 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 & Company

San Antonio, Texas
March 23, 2021



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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, 2020. 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, 2020.

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 & Company

San Antonio, Texas
March 23, 2021