

**CITY OF BRADY, TEXAS**  
**Financial and Compliance Report**  
**For the Year Ended September 30, 2013**



# CITY OF BRADY, TEXAS

## Financial and Compliance Report For the Year Ended September 30, 2013

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## INTRODUCTORY SECTION



CITY OF BRADY, TEXAS

City Officials

Anthony Groves ..... Mayor  
Latricia Doyal ..... Mayor Pro-Tem  
Mary Bradshaw ..... Council Member  
Linda Lott ..... Council Member  
Marilyn Gendusa ..... Council Member  
Jack Turk ..... Council Member  
Dale Brown ..... Interim City Manager  
Lisa Remini ..... Finance Officer



## FINANCIAL SECTION



2702 N. Loop 1604 East, Ste. 202

San Antonio, Texas 78232

Phone (210) 979-0055

Fax (210) 979-0058

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Brady Economic Development Corporation, which is a discretely presented component unit. Those financial statements represent approximately 2.9% of total assets and 1.5% of total revenues of the City. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned component unit are based solely on the reports of other auditors. 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 of material misstatement.

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

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





## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brady, Texas, as of September 30, 2013, 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 budgetary comparison information, and the Texas Municipal Retirement System Schedule of Funding Progress on pages 5 through 17, 65 through 68, and 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The proprietary fund budgetary comparison information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The proprietary fund budgetary comparison information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014, on our consideration of the City's 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's internal control over financial reporting and compliance.

San Antonio, Texas  
April 15, 2014

A handwritten signature in blue ink that reads "Daniel Britta". The signature is fluid and cursive, with "Daniel" on the top line and "Britta" on the bottom line.





## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2013

As management of the City of Brady, Texas (the City), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with the City's audited financial statements, which follow this section.

#### **Financial Highlights**

- The City's assets exceeded liabilities at September 30, 2013 by \$33,335,610. Of this amount \$7,113,687 or 21% of net position, is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's Total Net Position increased by \$3,253,083 during the year.
- The total cost of all the City's programs was \$16,660,433, representing a slight decline from last year by \$329,887 or 2%.
- During the year, the City had operating expenses of \$7,727,882 for governmental activities, which was \$1,546,080 more than the \$6,181,802 generated in program and general revenues. Once budgeted transfers from business-type activities of \$1,271,424 are recognized, governmental net position reflects a decrease of 3% in the amount of \$274,656.
- The City's business-type activities, after transfers to the general fund, reflect an increase in business-type net assets by \$3,527,738.
- The City increased its' total long-term debt obligations by \$2,444,398 or 34%.

The following discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components:

- 1) government-wide financial statements
- 2) fund financial statements
- 3) component units
- 4) notes to the financial statements

## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2013

#### Reporting the City as a Whole

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements can be found on pages 17 through 19 of the audit report.

- The statement of net position presents information on all of the City'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 is improving or deteriorating.
- The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

One of the most important questions asked about the City's finances, is whether it is better off or worse off as a result of the year's activities. The Statement of Net Position and Statement of Activities report information about the City as a whole and 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, Municipal Court, and General Administration. Property taxes, sales taxes, franchise fees, service fees, and budgeted transfers from Business-type activities financially support these activities.
- Business-type activities – The City charges a rate per unit sold to customers to help cover all or most of the cost of certain services it provides. The City's Electric, Water, Sewer, Gas, Utility Support, and Solid Waste departments are reported here.

# CITY OF BRADY, TEXAS

## Management's Discussion and Analysis For the Year Ended September 30, 2013

### 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 2012, as its net position increased by \$3,253,083 or 10%. The largest part of the City's net position reflects its investment in capital assets (land, buildings and improvements, infrastructure assets, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 2% of the City's governmental activities net position is subject to restrictions on how they may be used. The remaining balance of unrestricted net position of \$1,497,230 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the fiscal year, the City is able to report positive balances in all categories of net position, both for the government as whole, as well as for business-type activities.

The increase in net position of the City, generated by the results of its primary activities, resulted in a net position of \$33,335,610 as of September 30, 2013. The City's total unrestricted net position of \$7,113,687, the amount that can be used to finance day-to-day operations, decreased by 0.9% compared to last year's balance.

The following reflects a comparative condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 1,918,888	\$ 1,907,497	\$ 9,812,149	\$ 6,789,867	\$ 11,731,037	\$ 8,697,364
Capital and Other Long-term Assets	9,644,907	10,602,085	23,741,968	20,406,132	33,386,875	31,008,217
<b>Total Assets</b>	<b>11,563,795</b>	<b>12,509,582</b>	<b>33,554,117</b>	<b>27,195,999</b>	<b>45,117,912</b>	<b>39,705,581</b>
Current Liabilities	760,466	1,086,616	1,235,556	1,061,923	1,996,022	2,148,539
Non-Current Liabilities	1,818,034	2,163,015	7,968,246	5,311,500	9,786,280	7,474,515
<b>Total Liabilities</b>	<b>2,578,500</b>	<b>3,249,631</b>	<b>9,203,802</b>	<b>6,373,423</b>	<b>11,782,302</b>	<b>9,623,054</b>
<b>Net Position:</b>						
Invested in Capital Assets,						
Net of Related Debt	7,331,971	7,910,730	14,651,054	14,217,525	21,983,025	22,128,255
Restricted	156,093	199,590	4,082,805	578,223	4,238,898	777,813
Unrestricted	1,497,231	1,149,631	5,616,456	6,026,828	7,113,687	7,176,459
<b>TOTAL NET POSITION</b>	<b>\$ 8,985,295</b>	<b>\$ 9,259,951</b>	<b>\$ 24,350,315</b>	<b>\$ 20,822,576</b>	<b>\$ 33,335,610</b>	<b>\$ 30,082,527</b>

# CITY OF BRADY, TEXAS

## Management's Discussion and Analysis For the Year Ended September 30, 2013

### 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	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 2,270,025	\$ 1,908,717	\$ 12,245,764	\$ 13,386,507	\$ 14,515,789	\$ 15,295,224
Grants and Contributions	2,022,379	1,106,486	1,441,990	-	3,464,369	1,106,486
General Revenues:						
Property Taxes	628,444	577,066	-	-	628,444	577,066
Sales Taxes	1,046,577	994,716	-	-	1,046,577	994,716
Other Taxes	230,988	218,719	-	-	230,988	218,719
Investment Earnings	56,688	53,902	42,929	29,673	99,617	83,575
Other Revenue	5,478	4,225	580	55	6,058	4,280
Gain(Loss) on Disposal of Assets	(78,777)	(1,845)	450	(31,765)	(78,327)	(33,610)
<b>TOTAL REVENUES</b>	<b>6,181,802</b>	<b>4,861,986</b>	<b>13,731,713</b>	<b>13,384,470</b>	<b>19,913,515</b>	<b>18,246,456</b>
<b>Expenses</b>						
Utility Enterprises	-	-	8,932,551	8,513,858	8,932,551	8,513,858
General Government	913,468	856,164	-	-	913,468	856,164
Public Safety	2,765,698	2,818,311	-	-	2,765,698	2,818,311
Streets	584,110	672,539	-	-	584,110	672,539
Recreation and Leisure	2,658,464	2,542,133	-	-	2,658,464	2,542,133
Community Development	737,150	761,874	-	-	737,150	761,874
Interest and Amortization	68,992	165,667	-	-	68,992	165,667
<b>TOTAL EXPENSES</b>	<b>7,727,882</b>	<b>7,816,688</b>	<b>8,932,551</b>	<b>8,513,858</b>	<b>16,660,433</b>	<b>16,330,546</b>
Excess (Deficiency) before Transfers	(1,546,080)	(2,954,702)	4,799,162	4,870,612	3,253,082	1,915,910
Transfers	1,271,424	2,721,135	(1,271,424)	(2,721,135)	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>(274,656)</b>	<b>(233,567)</b>	<b>3,527,738</b>	<b>2,149,477</b>	<b>3,253,082</b>	<b>1,915,910</b>
Net Assets - Beginning	9,259,951	9,493,518	20,822,577	18,673,099	30,082,528	28,166,617
<b>Net Assets - Ending</b>	<b>\$ 8,985,295</b>	<b>\$ 9,259,951</b>	<b>\$ 24,350,315</b>	<b>\$ 20,822,576</b>	<b>\$ 33,335,610</b>	<b>\$ 30,082,527</b>

## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2013

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

Overall, total primary government revenues for fiscal year 2013 increased by \$1,667,059 or 8.4% compared to fiscal year 2012 due primarily to an increase in grants and contributions in the amount of \$915,893 for governmental activities, \$1,441,990 for business-type activities, and decline in charges for services revenues in the amount of \$1,140,743 for business-type activities.

Overall, total primary government expenditures increased by \$329,887 or 2%; primarily as the result of reduced business-type activities costs in the amount of \$418,693.

#### **Governmental Activities**

The result of fiscal year 2013 governmental activity records a decrease of \$274,656 in net position, to \$8,985,295. Of the total governmental activities' net position, \$7,331,971 is invested in capital assets, net of related debt, and \$1,497,230 is unrestricted, that is, having no legal commitment.

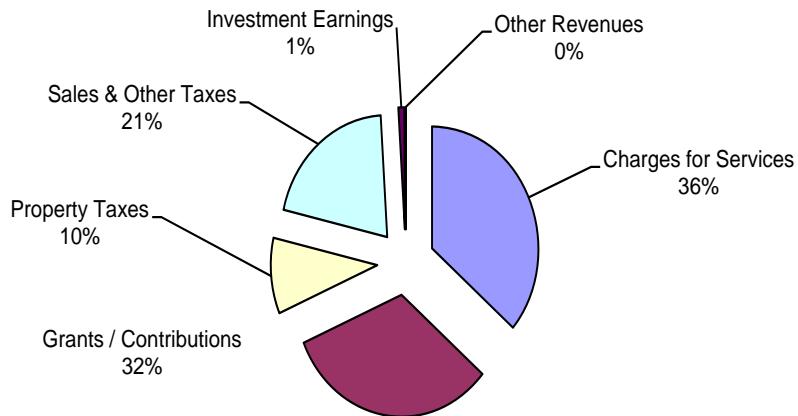
Governmental activities reflect a 16% increase in charges for services revenue due largely to an increase in military fuel sales in the amount of \$333,688 compared to last year.

The City continues to secure grant awards, and was given \$2,022,379, or \$915,893 more than last fiscal year, to fund specific capital infrastructure improvements during fiscal year 2013. Sales tax revenues continue an upward trend, reflecting a modest 5% increase, or \$51,861 more compared to 2012 collections.

## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2013

#### Revenues – Governmental Activities Fiscal Year Ending September 30, 2013



For fiscal year 2013, the majority of governmental revenues were derived from three revenue sources: charges for services, sales and other taxes, and grants/contributions. Collectively, they provided for 90% 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 \$1,205,128 or 52% of the \$2,270,025 total amount collected for services this year. Fuel sales to the military continue to comprise a significant portion of the airport revenues. EMS services generated \$541,900 or 24% of the total dollars charged for services this year. The lake department generated rental fees and donations in the amount of \$148,390 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 17% of total service charge revenues.

The City received \$1,046,577 in sales tax revenues, which is a 5% increase from last year's total collections. Included in other taxes are hotel occupancy tax collections of \$189,927 that were passed on to the Chamber of Commerce, Heart of Texas (HOT) Historical museum, and HOT Country Music museum for the promotion of tourism to enhance sales tax dollars to the City.

Grant/contribution revenue increased by \$915,893 from last year due to the fact that the construction of the federally funded public service building was in progress during fiscal year 2013, the City also obtained a clean water grant from the Texas Water Development Board.

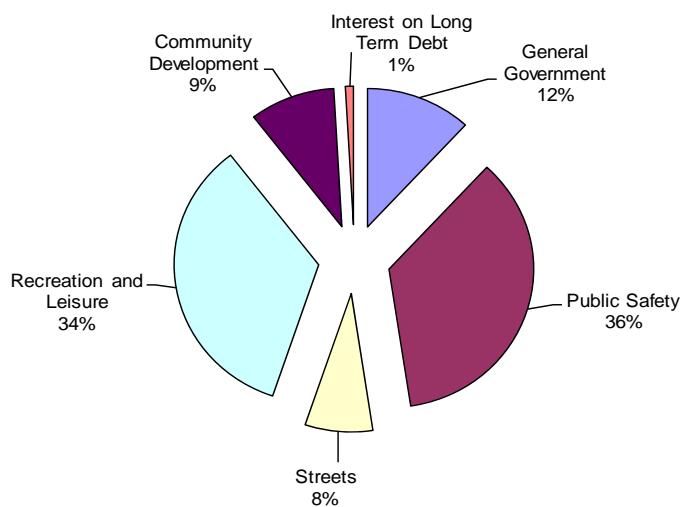
## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2013

With the decline in charges for services revenues, grant/contribution revenue became a more significant resource in relation to all governmental revenues.

The City maintains a low property tax rate at \$0.2887 per \$100 of 2012 values; and collected \$628,444 in property tax revenue.

#### Expenses – Governmental Activities Fiscal Year Ending September 30, 2013



## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2013

The relative mix of governmental expenditure activities remains similar to last fiscal year. Public safety and recreation and leisure continue to be the largest governmental activities expending, \$2,765,698 and 2,658,464, respectively, of the \$7,727,882 in total costs for all governmental programs. The airport, parks, golf course, swimming pool, civic center, lake, and G. Rollie White complex are included in the recreation and leisure category. The fire, EMS, police, animal control, municipal court, and building and inspection departments are included in the public safety category.

The remaining 30% of expenditures is closely divided among general and administrative costs totaling \$913,468, community development totaling \$737,150, street maintenance totaling \$584,110, and interest and amortization totaling \$68,992.

### **Business-Type Activities**

The business-type activities increased the City's net position by \$3,527,738.

Of the total business-type activities' net position, \$14,651,054 is invested in capital assets, net of related debt, and \$5,616,456 is unrestricted, that is, having no legal commitment. In addition, the City maintains fully funded restricted reserve levels of \$137,921 for debt service requirements.

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

The cost of all business-type activities this year increased by 5% to \$8,932,551. As shown in the statement of activities, the amounts charged to users of the utility services totaled \$12,245,764. Due to dry, hot weather conditions, consumption sales decreased from last year, reflecting a 9% decline or \$1,140,743 in total services charged for the business-type activities. Additional revenue sources included investment earnings of \$42,929. In total, excess revenues over expenditures for the year was \$4,799,162.

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 \$1,271,424 were posted this fiscal year to provide for the City's governmental program costs.

## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2013

#### Reporting the City's Most Significant Funds

Analysis of the City's major funds begins on page 20. The fund financial statements, found on 20 through 29 of the audit report, provide detailed information about the most significant funds. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance and related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

## **CITY OF BRADY, TEXAS**

### **Management's Discussion and Analysis For the Year Ended September 30, 2013**

## **FUND FINANCIAL STATEMENT ANALYSIS**

### **Governmental Type Funds**

The City reports a combined governmental fund balance of \$1,632,208, reflecting an increase of \$361,682 in comparison with the previous year. Unassigned fund balance equals \$1,422,323 and is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed to provide payment for long-term debt obligations and community projects.

As stated earlier, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The Government Finance Officers Association recommends, at a minimum, that governmental unassigned fund balances be maintained at no less than two months of regular general fund operational revenues or expenditures. The City's current general unassigned fund balance is considered adequate as it represents three months of general fund operating revenues, and two months of general operating expenditures.

### **Business Type Funds**

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

All funds, except for the gas fund, recorded a positive net change in assets for fiscal year 2013 and all funds continue to maintain a healthy level of unrestricted fund balances ranging from 3 to 12 months of operating revenues and 5 to 19 months of operating expenditures.

## **COMPONENT UNITS**

Component units are legally separate entities from the City, but were organized to benefit the City. There was one component unit at September 30, 2013, and additional information is presented in the basic financial statements and the notes to the financial statements.

## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2013

#### 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, 2013 is \$31,804,616, net of accumulative depreciation. The majority, 78%, of the City's capital assets is invested in buildings, improvements, and infrastructure.

Governmental activities report the addition of \$145,834 in various capital enhancements, including infrastructure improvements to the municipal airport, parks, and golf course, the placement of generators at city hall, fire/EMS, and police stations, a new ambulance, vehicles for the parks and police departments, and various equipment purchases.

Business activities report the addition of \$24,102 in capital assets. This addition was for the purchase of a new vehicle for the water department.

Principal projects for governmental activities include purchasing a street maintainer, enhancing city park infrastructure, providing concrete cart paths at the golf course and refurbishing lake cabanas. Principal projects for the business-type activities are relocating the public service building to the old armory building, providing for a new wastewater treatment plant, and a new metering system.

The following is a summary statement of the City's capital assets as of September 30, 2013:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 728,734	\$ 728,734	\$ 84,829	\$ 84,829	\$ 813,563	\$ 813,563
Buildings	7,530,836	7,417,908	13,125,683	13,120,682	20,656,519	20,538,590
Equipment	1,982,617	1,988,596	2,578,412	2,602,360	4,561,029	4,590,956
Vehicles	1,042,687	1,199,426	524,061	511,959	1,566,748	1,711,385
Infrastructure	8,947,994	8,930,110	14,194,818	14,198,976	23,142,812	23,129,086
Construction in Progress	255,040	190,242	5,119,742	577,569	5,374,782	767,811
Less:						
Accumulated Depreciation	(11,102,860)	(10,130,567)	(13,207,977)	(11,915,376)	(24,310,837)	(22,045,943)
Total	\$ 9,385,048	\$ 10,324,449	\$ 22,419,568	\$ 19,180,999	\$ 31,804,616	\$ 29,505,448

## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2013

#### Debt Administration

At September 30, 2013, the City's total bonds, notes and capital leases outstanding reflect an increase of \$2,444,398 compared to prior year. In reviewing Business-type Activities, three notes in the amount of \$2,178,823 were issued.

All scheduled payments were met according to terms.

As of March 7, 2012 the City received a credit rating of A+ from Standard and Poor's rating service.

The City's refunding bond series 2003 maintains an investment grade Baa1 rating from Moody's Investor's Service.

The following is a summary statement of outstanding debt as of September 30, 2013:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General Obligation Refunding Bonds	\$ 1,809,600	\$ 1,979,200	\$ 30,400	\$ 30,800	\$ 1,840,000	\$ 2,010,000
Certificates of Obligations	-	-	5,275,000	4,360,000	5,275,000	4,360,000
Notes to Financial Institutions	-	36,000	2,012,899	-	2,012,899	36,000
Equipment Lease Notes	243,477	398,518	365,385	487,845	608,862	886,363
Total Bonds, Notes, and Capital Leases	\$ 2,053,077	\$ 2,413,718	\$ 7,683,684	\$ 4,878,645	\$ 9,736,761	\$ 7,292,363

Total compensated absences for Governmental Funds are \$83,127 and \$24,006 for Business activities.

## CITY OF BRADY, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2013

#### **General Fund Budgetary Highlights**

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

Final budget comparisons to actual performance are considered reasonable and reflect that final budget projections exceeded total general fund revenues by \$103,676, and total expenditures were under budget by \$208,108, resulting in a net negative variance to the final budget of \$323,410 before transfers.

The original revenue projections for the general fund budget were increased at the mid-year budget review by \$895,634. Due to lower than expected expenditure costs, budgeted transfers from the utility funds to support the general fund operations were less than expected by \$361,221.

The original expenditure projections for the general fund budget were also adjusted mid-year by adding an additional \$741,531 to the fiscal year 2013 projected expenditures. The budget was primarily adjusted to reflect increased aviation fuel purchases, and the City's continued commitment to the Willie Washington park and lake improvements and ATV park. Overall, year-end actual performance was less than the final budget numbers, as mid-year cost projections did not fully materialize. Construction of the Willie Washington park improvements were not completed, and contingency costs did not materialize.

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged. One of those factors is the economy.

The City's local economy is centered in agri-businesses and manufacturing of sand products. The economic outlook for Brady/McCulloch County is considered mostly stable. Implementing federally mandated infrastructure improvements to the City's wastewater and water systems is a top priority. These factors were taken into account when adopting the General Fund budget for fiscal year 2014. Council chose to maintain utility rates at current levels and adopt cost efficiencies to support the 2014 Budget. The Council adopted a balanced budget to ensure a stable fund balance position is maintained.

#### **Request for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer, Lisa Remini or Interim City Manager, Dale Brown at the City of Brady, 201 East Main, 325-597-2152.



## **BASIC FINANCIAL STATEMENTS**



# CITY OF BRADY, TEXAS

## Statement of Net Position As of September 30, 2013

	PRIMARY GOVERNMENT				Component Unit	
	Governmental Activities	Business-Type Activities	TOTAL			
<b>ASSETS</b>						
Current Assets						
Cash and Cash Equivalents	\$ 1,467,377	\$ 8,908,435	\$ 10,375,812	\$ 643,690		
Receivables, Net of Allowances	397,720	747,489	1,145,209	98,709		
Inventory	53,791	154,541	208,332	-		
Prepaid Expenses	-	1,684	1,684	-		
Total Current Assets	1,918,888	9,812,149	11,731,037	742,399		
Noncurrent Assets						
Restricted Cash and Cash Equivalents	156,093	1,248,809	1,404,902	-		
Other Receivables, net	-	-	-	156,671		
Bond Insurance Premium, Net of Amortization	-	2,000	2,000	-		
Bond Issuance Costs, Net of Amortization	103,766	71,592	175,358	-		
Land	728,734	84,829	813,563	9,673		
Construction in Progress	255,040	5,119,742	5,374,782	-		
Property and Equipment, Net of Depreciation	8,401,274	17,214,996	25,616,270	381,422		
Total Noncurrent Assets	9,644,907	23,741,968	33,386,875	547,766		
Total Assets	11,563,795	33,554,117	45,117,912	1,290,165		
<b>LIABILITIES</b>						
Current Liabilities						
Accounts Payable	396,822	551,838	948,660	191		
Accrued Expenses	1,516	968	2,484	-		
Interest Payable	4,766	22,035	26,801	750		
Other Payables	-	29,610	29,610	-		
Deferred Revenues	-	-	-	643		
Bonds, Notes, and Leases Payable	357,362	631,105	988,467	160,449		
Total Current Liabilities	760,466	1,235,556	1,996,022	162,033		
Noncurrent Liabilities						
Accrued Compensated Absences	83,127	24,006	107,133	-		
Bond Premium, Net of Amortization	39,192	773	39,965	-		
Landfill Closure	-	261,134	261,134	-		
Customer Deposits	-	629,754	629,754	-		
Deferred Revenues	-	-	-	1,204		
Bonds, Notes, and Leases Payable	1,695,715	7,052,579	8,748,294	-		
Total Noncurrent Liabilities	1,818,034	7,968,246	9,786,280	1,204		
Total Liabilities	2,578,500	9,203,802	11,782,302	163,237		
<b>NET POSITION</b>						
Invested in Capital Assets, Net of Related Debt	7,331,971	14,651,054	21,983,025	230,646		
Restricted	156,093	4,082,805	4,238,898	-		
Unrestricted	1,497,231	5,616,456	7,113,687	896,282		
Total Net Position	\$ 8,985,295	\$ 24,350,315	\$ 33,335,610	\$ 1,126,928		

The Accompanying Notes are an Integral Part of These Financial Statements.

# CITY OF BRADY, TEXAS

## Statement of Activities For the Year Ended September 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Administration	\$ 601,048	\$ 56,456	\$ -	\$ -
Airport	1,629,343	1,205,128	-	11,599
Public Property Maintenance	396,024	40,158	-	-
Mayor and Council	34,878	254	-	-
Golf Course	300,049	110,091	20,807	-
Swimming Pool	82,381	20,329	-	-
Fire Department	746,422	4,868	80,000	-
Police Department	1,024,992	9,862	50,000	-
Emergency Operations	22,778	-	-	-
Street Department	584,110	498	-	-
Civic Center	15,457	43,945	-	-
Municipal Court	36,391	40,520	-	-
Community Services	49,353	-	-	-
Repair Shop	50,387	245	-	-
Animal Control	59,428	1,404	-	-
EMS	763,805	541,900	177,139	-
Lake Department	216,339	148,390	-	-
Financial Administration	227,155	5	-	-
Building Inspection and Permits	111,882	16,099	-	-
G. Rollie White Complex	18,871	750	-	-
Special Revenue Fund	687,797	29,123	190,304	1,492,530
Interest on Long-Term Debt	68,992	-	-	-
Total Governmental Activities	7,727,882	2,270,025	518,250	1,504,129
Business-Type Activities				
Sewer	430,066	676,372	1,441,990	-
Electric	4,981,245	7,471,238	-	-
Water	1,454,983	1,677,026	-	-
Gas	1,058,505	1,440,523	-	-
Solid Waste	689,291	829,100	-	-
Utility Support	318,461	151,505	-	-
Total Business-Type Activities	8,932,551	12,245,764	1,441,990	-
Total Primary Government	\$ 16,660,433	\$ 14,515,789	\$ 1,960,240	\$ 1,504,129
Total Component Unit	\$ 148,758	\$ 53,201	\$ -	\$ -
General Revenues				
Taxes				
Property Taxes, Levied for General Purposes				
Sales Taxes				
Franchise Taxes				
Mixed Beverage Taxes				
Hotel Occupancy Taxes				
Interest Revenue				
Miscellaneous				
Gain (Loss) on the Disposal of Capital Assets				
Transfers				
Total General Revenues, Special Items, and Transfers				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

The Accompanying Notes are an Integral Part of These Financial Statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>				
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Total Component Unit</u>	
\$ (544,592)	\$ -	\$ (544,592)	\$ -	
(412,616)	-	(412,616)	-	
(355,866)	-	(355,866)	-	
(34,624)	-	(34,624)	-	
(169,151)	-	(169,151)	-	
(62,052)	-	(62,052)	-	
(661,554)	-	(661,554)	-	
(965,130)	-	(965,130)	-	
(22,778)	-	(22,778)	-	
(583,612)	-	(583,612)	-	
28,488	-	28,488	-	
4,129	-	4,129	-	
(49,353)	-	(49,353)	-	
(50,142)	-	(50,142)	-	
(58,024)	-	(58,024)	-	
(44,766)	-	(44,766)	-	
(67,949)	-	(67,949)	-	
(227,150)	-	(227,150)	-	
(95,783)	-	(95,783)	-	
(18,121)	-	(18,121)	-	
1,024,160	-	1,024,160	-	
(68,992)	-	(68,992)	-	
<u>(3,435,478)</u>	<u>-</u>	<u>(3,435,478)</u>	<u>-</u>	
-	1,688,296	1,688,296	-	
-	2,489,993	2,489,993	-	
-	222,043	222,043	-	
-	382,018	382,018	-	
-	139,809	139,809	-	
-	(166,956)	(166,956)	-	
<u>-</u>	<u>4,755,203</u>	<u>4,755,203</u>	<u>-</u>	
\$ <u>(3,435,478)</u>	\$ <u>4,755,203</u>	\$ <u>1,319,725</u>	\$ <u>-</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (95,557)</u>	
628,444	-	628,444	-	
1,046,577	-	1,046,577	187,630	
40,471	-	40,471	-	
590	-	590	-	
189,927	-	189,927	-	
56,688	42,929	99,617	8,630	
5,478	580	6,058	2,789	
(78,777)	450	(78,327)	72	
<u>1,271,424</u>	<u>(1,271,424)</u>	<u>-</u>	<u>-</u>	
<u>3,160,822</u>	<u>(1,227,465)</u>	<u>1,933,357</u>	<u>199,121</u>	
<u>(274,656)</u>	<u>3,527,738</u>	<u>3,253,082</u>	<u>103,564</u>	
<u>9,259,951</u>	<u>20,822,577</u>	<u>30,082,528</u>	<u>1,023,364</u>	
<u>\$ 8,985,295</u>	<u>\$ 24,350,315</u>	<u>\$ 33,335,610</u>	<u>\$ 1,126,928</u>	

The Accompanying Notes are an Integral Part of These Financial Statements.

**CITY OF BRADY, TEXAS**

**Balance Sheet**  
**Governmental Funds**  
**As of September 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,467,377	\$ -	\$ 1,467,377
Receivables, Net of Allowances:			
Property Taxes	55,150	-	55,150
Accounts	143,557	199,013	342,570
Inventory	53,791	-	53,791
TOTAL ASSETS	\$ <u>1,719,875</u>	\$ <u>199,013</u>	\$ <u>1,918,888</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 224,410	\$ 172,412	\$ 396,822
Accrued Expenses	1,516	-	1,516
Deferred Revenues	44,435	-	44,435
Total Liabilities	<u>270,361</u>	<u>172,412</u>	<u>442,773</u>
<b>FUND BALANCES</b>			
Fund Balance:			
Nonspendable	53,791	-	53,791
Restricted	40,682	115,411	156,093
Unassigned	1,395,723	26,600	1,422,323
Total Fund Balance	<u>1,490,196</u>	<u>142,011</u>	<u>1,632,207</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,760,557</u>	<u>\$ 314,423</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Some assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Capital Assets, Net of Accumulated Depreciation of \$11,102,860			9,385,047
Bond Issuance Costs, Net of Amortization			103,767
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			44,435
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Notes, Bonds, and Capital Leases			(2,053,077)
Bond Premium, Net of Amortization			(39,192)
Interest Payable			(4,766)
Accrued Compensated Absences			<u>(83,127)</u>
Net Position of Governmental Activities			\$ <u>8,985,295</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CITY OF BRADY, TEXAS**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2013**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Property Tax	\$ 640,829	\$ -	\$ 640,829
Sales Tax	841,377	205,200	1,046,577
Franchise Tax	40,471	-	40,471
Occupancy Tax	-	189,928	189,928
Mixed Beverage Tax	590	-	590
Interest Income	56,687	-	56,687
Miscellaneous Revenue	5,478	-	5,478
Reimbursed Expenses	17,894	-	17,894
Administrative	56,432	-	56,432
Airport	1,204,551	-	1,204,551
Public Property Maintenance	40,106	-	40,106
Golf Course	109,948	-	109,948
Swimming Pool	20,329	-	20,329
Fire Department	84,868	-	84,868
Police Department	54,738	-	54,738
Street Department	13	-	13
Civic Center	43,945	-	43,945
Pass-Through Services	-	5,699	5,699
Senior Citizen Program	-	29,123	29,123
Municipal Court	40,520	-	40,520
Repair Shop	245	-	245
Animal Control	1,404	-	1,404
City/County EMS	718,518	-	718,518
Lake Department	137,681	-	137,681
G.R. White Complex	750	-	750
Building Inspection and Permits	16,099	-	16,099
Donations	20,807	-	20,807
Grant Revenues	11,599	1,677,135	1,688,734
<b>Total Revenues</b>	<b>\$ 4,165,879</b>	<b>\$ 2,107,085</b>	<b>\$ 6,272,964</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)  
 Governmental Funds  
 For the Year Ended September 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>EXPENDITURES</b>			
Current:			
Administration	\$ 575,683	\$ -	\$ 575,683
Airport	1,151,439	-	1,151,439
Public Property Maintenance	290,524	-	290,524
Mayor and Council	34,878	-	34,878
Golf Course	269,296	-	269,296
Swimming Pool	82,381	-	82,381
Fire Department	720,499	-	720,499
Police Department	952,373	-	952,373
Emergency Operations	24,541	-	24,541
Street Department	301,831	-	301,831
Civic Center	13,748	-	13,748
Pass-Through Services	-	435,990	435,990
Senior Citizens Program	-	295,927	295,927
Municipal Court	35,165	-	35,165
Community Services	47,282	-	47,282
Repair Shop	50,260	-	50,260
Animal Control	54,119	-	54,119
City/County EMS	672,476	-	672,476
Lake Department	184,023	-	184,023
G.R. White Complex	12,135	-	12,135
Financial Administration	222,236	-	222,236
Community Development	-	7,459	7,459
Building Inspection and Permits	110,002	-	110,002
Capital Outlay	203,342	7,291	210,633
Debt Service:			
Principal	360,642	-	360,642
Interest	69,664	-	69,664
Total Expenditures	<u>6,438,539</u>	<u>746,667</u>	<u>7,185,206</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,272,660)	1,360,418	(912,242)
<b>Other Financing Sources (Uses)</b>			
Sale of Fixed Assets	2,500	-	2,500
Transfers In	2,621,550	1,090,919	3,712,469
Transfers Out	-	(2,441,045)	(2,441,045)
Total Other Financing Sources (Uses)	<u>2,624,050</u>	<u>(1,350,126)</u>	<u>1,273,924</u>
Change in Fund Balances	351,390	10,292	361,682
Total Fund Balances, Beginning of Year	<u>1,138,806</u>	<u>131,720</u>	<u>1,270,526</u>
Total Fund Balances, End of Year	<u>\$ 1,490,196</u>	<u>\$ 142,012</u>	<u>\$ 1,632,208</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

## CITY OF BRADY, TEXAS

### Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued) Governmental Funds For the Year Ended September 30, 2013

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	\$ 361,682
--	------------

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	210,633
Depreciation Expense	(1,150,034)

Transfers of capital assets between the governmental activities and business-type activities are not a use of financial resources and are therefore not reported in the governmental funds.

	(186,595)
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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.

Bond Premium	(39,192)
Bond and Lease Principal Payments	360,642
Bond Issuance Costs	49,067
Deferred Interest on Refunded Bond	(672)
Amortization of Bond Premium	52,689
Amortization of Bond Issuance Costs and Insurance Premium	77,219

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

Property Tax Revenue	12,385
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Interest Expense	(4,766)
Accrued Compensated Absences	(17,714)

Change in Net Position of Governmental Activities	\$ <u><u>(274,656)</u></u>
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**CITY OF BRADY, TEXAS**

**Statement of Net Position  
Proprietary Funds  
As of September 30, 2013**

	<u>Sewer and Electric</u>	<u>Water Department</u>	<u>Gas Department</u>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 5,112,838	\$ 2,013,817	\$ 1,147,978
Receivables:			
Accounts, Net	518,828	106,966	57,145
Other	-	-	-
Interest	-	-	-
Inventory	-	-	-
Prepaid Expenses	-	1,684	-
Total Current Assets	<u>5,631,666</u>	<u>2,122,467</u>	<u>1,205,123</u>
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents	-	357,921	-
Bond Insurance Premium, Net of Amortization	2,000	-	-
Bond Issuance Costs, Net of Amortization	52,663	18,929	-
Capital Assets:			
Land	12,397	4,532	500
Construction in Progress	943,864	1,174,821	605,689
Property & Equipment	7,741,580	18,488,038	2,434,501
Accumulated Depreciation	(5,690,237)	(4,897,146)	(1,293,354)
Total Noncurrent Assets	<u>3,062,267</u>	<u>15,147,095</u>	<u>1,747,336</u>
Total Assets	<u>8,693,933</u>	<u>17,269,562</u>	<u>2,952,459</u>
<b>LIABILITIES</b>			
Current			
Accounts Payable	393,562	85,315	25,586
Accrued Expenses	967	-	-
Interest Payable	4,993	13,018	3,579
Other Payables	-	-	-
Bonds, Notes and Leases Payable	71,874	402,576	60,145
Total Current Liabilities	<u>471,396</u>	<u>500,909</u>	<u>89,310</u>
Noncurrent			
Accrued Compensated Absences	10,829	3,753	854
Bond Premium, Net of Amortization	-	773	-
Landfill Closure	-	-	-
Utility Deposits	-	-	-
Bonds, Notes and Leases Payable	1,694,979	4,741,536	474,259
Total Noncurrent Liabilities	<u>1,705,808</u>	<u>4,746,062</u>	<u>475,113</u>
Total Liabilities	<u>2,177,204</u>	<u>5,246,971</u>	<u>564,423</u>
<b>NET POSITION</b>			
Net Position, Invested in Capital Assets,			
Net of Related Debt	1,228,354	9,621,601	1,212,432
Restricted Net Position	2,833,996	357,921	-
Unrestricted Net Assets	2,454,379	2,043,069	1,175,604
Total Net Position	<u>\$ 6,516,729</u>	<u>\$ 12,022,591</u>	<u>\$ 2,388,036</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Solid Waste	Utility Support	Totals
\$ 406,050	\$ 227,752	\$ 8,908,435
41,740	5,239	729,918
-	17,469	17,469
-	102	102
-	154,541	154,541
-	-	1,684
<u>447,790</u>	<u>405,103</u>	<u>9,812,149</u>
261,134	629,754	1,248,809
-	-	2,000
-	-	71,592
67,400	-	84,829
-	2,395,368	5,119,742
1,344,951	413,904	30,422,974
(1,015,598)	(311,643)	(13,207,978)
<u>657,887</u>	<u>3,127,383</u>	<u>23,741,968</u>
<u>1,105,677</u>	<u>3,532,486</u>	<u>33,554,117</u>
23,431	23,944	551,838
1	-	968
445	-	22,035
-	29,610	29,610
<u>96,510</u>	<u>-</u>	<u>631,105</u>
<u>120,387</u>	<u>53,554</u>	<u>1,235,556</u>
7,188	1,382	24,006
-	-	773
261,134	-	261,134
-	629,754	629,754
<u>141,805</u>	<u>-</u>	<u>7,052,579</u>
<u>410,127</u>	<u>631,136</u>	<u>7,968,246</u>
<u>530,514</u>	<u>684,690</u>	<u>9,203,802</u>
91,038	2,497,629	14,651,054
261,134	629,754	4,082,805
222,991	(279,587)	5,616,456
<u>\$ 575,163</u>	<u>\$ 2,847,796</u>	<u>\$ 24,350,315</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CITY OF BRADY, TEXAS**

**Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended September 30, 2013**

	<b>Sewer and Electric</b>	<b>Water Department</b>	<b>Gas Department</b>
<b>OPERATING REVENUES</b>			
Charges for Services:			
Electrical Distribution	\$ 7,468,629	\$ -	\$ -
Wastewater	676,372	-	-
Water Department	-	1,674,038	-
Gas Department	-	-	1,440,251
Solid Waste	-	-	-
Utility Support	-	-	-
Grant Revenue	1,441,990	-	-
Miscellaneous Revenues	-	-	-
Reimbursed Expenses	2,609	2,988	272
<b>Total Operating Revenues</b>	<b>9,589,600</b>	<b>1,677,026</b>	<b>1,440,523</b>
<b>OPERATING EXPENSES</b>			
Sewer and Electric			
Power Plant	7,597	-	-
Electrical Distribution	4,614,342	-	-
Wastewater	329,527	-	-
Water Department	-	794,320	-
Gas Department	-	-	759,001
Solid Waste	-	-	-
Utility Support:			
Administration	-	-	-
Meter Shop	-	-	-
Billing-Collection	-	-	-
Bad Debt Expense	34,506	8,001	3,540
Amortization	6,428	1,422	-
Depreciation	383,609	601,940	278,055
<b>Total Operating Expenses</b>	<b>5,376,009</b>	<b>1,405,683</b>	<b>1,040,596</b>
Operating Income (Loss)	4,213,591	271,343	399,927
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain (Loss) on the Disposal of Capital Assets	-	450	-
Interest Income	11,761	16,513	5,721
Interest Expense	(35,302)	(49,300)	(17,909)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(23,541)</b>	<b>(32,337)</b>	<b>(12,188)</b>
Income (Loss) Before Transfers	4,190,050	239,006	387,739
Capital Contributions from Governmental Activities	-	186,595	-
Transfers In	384,375	-	-
Transfers Out	(2,941,703)	(364,003)	(486,836)
Change in Net Position	1,632,722	61,598	(99,097)
<b>Total Net Position - Beginning</b>	<b>4,884,007</b>	<b>11,960,993</b>	<b>2,487,133</b>
<b>Total Net Position - Ending</b>	<b>\$ 6,516,729</b>	<b>\$ 12,022,591</b>	<b>\$ 2,388,036</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

Solid Waste	Utility Support	Totals
\$ -	\$ -	\$ 7,468,629
-	-	676,372
-	-	1,674,038
-	-	1,440,251
829,045	-	829,045
-	150,993	150,993
-	-	1,441,990
581	-	581
55	512	6,436
<b>829,681</b>	<b>151,505</b>	<b>13,688,335</b>
 - -	 - -	 7,597
- -	- -	4,614,342
- -	- -	329,527
- -	- -	794,320
- -	- -	759,001
618,889	- -	618,889
- -	71,166	71,166
- -	95,618	95,618
- -	135,396	135,396
4,716	5,200	55,963
- -	- -	7,850
<b>53,020</b>	<b>11,081</b>	<b>1,327,705</b>
<b>676,625</b>	<b>318,461</b>	<b>8,817,374</b>
 153,056	 (166,956)	 4,870,961
 - -	 - -	 450
3,505	5,429	42,929
(12,666)	-	(115,177)
<b>(9,161)</b>	<b>5,429</b>	<b>(71,798)</b>
 143,895	 (161,527)	 4,799,163
 - -	 - -	 186,595
 (69,308)	 2,019,455	 2,403,830
 74,587	 1,857,928	 3,527,738
 <b>500,576</b>	 <b>989,868</b>	 <b>20,822,577</b>
 <b>\$ 575,163</b>	 <b>\$ 2,847,796</b>	 <b>\$ 24,350,315</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CITY OF BRADY, TEXAS**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2013**

	<b>Sewer and Electric</b>	<b>Water</b>	<b>Gas</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 8,252,393	\$ 1,670,827	\$ 1,407,038
Payments to Suppliers	(4,551,075)	(577,672)	(597,920)
Payments to Employees for Services	(363,441)	(183,593)	(124,031)
Payments on Behalf of Employees for Benefits	(69,103)	(35,893)	(35,189)
Receipts (Refunds) of Customer Deposits	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>3,268,774</u>	<u>873,669</u>	<u>649,898</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating Subsidies and Transfers from Other Funds	(2,941,703)	(364,003)	-
Operating Subsidies and Transfers to Other Funds	<u>384,375</u>	<u>186,595</u>	<u>(486,836)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,557,328)</u>	<u>(177,408)</u>	<u>(486,836)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Receipt of Bond Proceeds	1,727,200	1,122,873	-
Receipt of Bond Premiums	-	(71)	-
Proceeds from Capital Grants	1,441,990	-	538,750
Purchases of Capital Assets and Construction in Progress	(908,154)	(1,182,359)	(605,689)
Gain on Disposal of Capital Assets	-	450	-
Bond Issuance Costs	(53,125)	-	-
Principal Paid on Capital Debt	(59,487)	(369,561)	(58,343)
Interest Paid on Capital Debt	(30,444)	(43,574)	(14,518)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>2,117,980</u>	<u>(472,242)</u>	<u>(139,800)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Dividends	<u>11,761</u>	<u>16,513</u>	<u>5,721</u>
Net Cash Provided (Used) by Investing Activities	<u>11,761</u>	<u>16,513</u>	<u>5,721</u>
Net Increase In Cash & Cash Equivalents	<u>2,841,187</u>	<u>240,532</u>	<u>28,983</u>
Balances - Beginning of the Year	<u>2,271,651</u>	<u>2,131,206</u>	<u>1,118,995</u>
Balances - End of the Year	<u>\$ 5,112,838</u>	<u>\$ 2,371,738</u>	<u>\$ 1,147,978</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 4,213,591	\$ 271,343	\$ 399,927
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	383,609	601,940	278,055
Bad Debt Expense	34,506	8,001	3,540
Amortization Expense	(46,698)	1,540	-
Change In Assets & Liabilities:			
Accounts Receivable	107,392	(6,199)	(33,213)
Other Receivables	-	-	-
Inventories	-	-	-
Accounts Payable	(35,806)	(3,433)	7,356
Accrued Liabilities	(84)	-	-
Other Payables	-	-	-
Compensated Absences	1,129	477	(5,767)
Customer Deposits Payable	-	-	-
Landfill Closure/Post Closure Costs	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,657,639</u>	<u>\$ 873,669</u>	<u>\$ 649,898</u>
Reconciliation to Statement of Net Position - Proprietary Funds:			
Cash and Cash Equivalents - Unrestricted	\$ 5,112,838	\$ 2,013,817	\$ 1,147,978
Cash and Cash Equivalents - Restricted	-	357,921	-
Total Cash and Cash Equivalents - Proprietary Funds	<u>\$ 5,112,838</u>	<u>\$ 2,371,738</u>	<u>\$ 1,147,978</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Solid Waste	Utility Support	Total
\$ 823,265	\$ 151,026	\$ 12,304,549
(291,859)	(133,662)	(6,152,188)
(215,843)	(119,864)	(1,006,772)
(74,792)	(47,066)	(262,043)
-	11,278	11,278
<u>240,771</u>	<u>(138,288)</u>	<u>4,894,824</u>
 (69,308)	2,019,455	(1,355,559)
<u>-</u>	<u>-</u>	<u>84,134</u>
<u>(69,308)</u>	<u>2,019,455</u>	<u>(1,271,425)</u>
 -	-	2,850,073
-	-	(71)
-	-	1,980,740
-	(1,870,074)	(4,566,276)
-	-	450
-	-	(53,125)
(96,393)	-	(583,784)
<u>(12,861)</u>	<u>-</u>	<u>(101,397)</u>
<u>(109,254)</u>	<u>(1,870,074)</u>	<u>(473,390)</u>
 <u>3,505</u>	<u>5,429</u>	<u>42,929</u>
<u>3,505</u>	<u>5,429</u>	<u>42,929</u>
 65,714	16,522	3,192,938
<u>601,470</u>	<u>840,984</u>	<u>6,964,306</u>
<u>\$ 667,184</u>	<u>\$ 857,506</u>	<u>\$ 10,157,244</u>
 <u>\$ 153,056</u>	<u>\$ (166,956)</u>	<u>\$ 4,870,961</u>
 53,020	11,081	1,327,705
4,716	5,200	55,963
-	-	(45,158)
 (6,362)	(3,001)	58,617
-	4,515	4,515
-	(547)	(547)
(2,464)	(1,489)	(35,836)
-	-	(84)
-	567	567
1,568	1,064	(1,529)
-	11,278	11,278
<u>37,237</u>	<u>-</u>	<u>37,237</u>
<u>\$ 240,771</u>	<u>\$ (138,288)</u>	<u>\$ 6,283,689</u>
 \$ 406,050	\$ 227,752	\$ 8,908,435
<u>261,134</u>	<u>629,754</u>	<u>1,248,809</u>
<u>\$ 667,184</u>	<u>\$ 857,506</u>	<u>\$ 10,157,244</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CITY OF BRADY, TEXAS**

**Statement of Net Position**  
**Discretely Presented Component Unit**  
**As of September 30, 2013**

**Brady Economic  
 Development  
 Corporation**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 643,690
Receivables, Net of Allowances	98,709
Total Current Assets	<u>742,399</u>
Noncurrent Assets	
Other Receivables, Net	156,671
Land	9,673
Other Capital Assets, Net of Depreciation	<u>381,422</u>
Total Noncurrent Assets	<u>547,766</u>
Total Assets	<u>1,290,165</u>

**LIABILITIES**

**Current Liabilities**

Accounts Payable	191
Interest Payable	750
Deferred Revenues	643
Notes Payable	<u>160,449</u>
Total Current Liabilities	<u>162,033</u>
Noncurrent Liabilities	
Deferred Revenues	1,204
Total Liabilities	<u>163,237</u>

**NET POSITION**

Invested in Capital Assets, Net of Related Debt	230,646
Unrestricted	<u>896,282</u>
Total Net Position	<u>\$ 1,126,928</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CITY OF BRADY, TEXAS**

**Statement of Activities**  
**Discretely Presented Component Unit**  
**For the Year Ended September 30, 2013**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Change in Net Position</b>
		<b>Charges for Services</b>	<b>Activities</b>	
<b>Governmental Activities</b>				
General Government				
Rental Income	\$ -	\$ 53,201	\$ 53,201	
Marketing	676	-		(676)
Professional/Legal Fees	5,181	-		(5,181)
Audit Expense	14,975	-		(14,975)
Contract for Services	53,915	-		(53,915)
Community Development	31,995	-		(31,995)
Annual Land Lease	250	-		(250)
Travel and Training	6,466	-		(6,466)
Membership Dues and Fees	3,250	-		(3,250)
Insurance	300	-		(300)
Office Supplies	75	-		(75)
Office Equipment	243	-		(243)
Meeting Provisions	22	-		(22)
Property Taxes	1,601	-		(1,601)
Interest Expense	9,338	-		(9,338)
Depreciation Expense	20,471	-		(20,471)
<b>Total Governmental Activities</b>	<b>148,758</b>	<b>53,201</b>		<b>(95,557)</b>
General Revenues				
City of Brady - Sales Tax Collections				187,630
Interest Revenue				8,630
Miscellaneous				7
Reimbursements				685
Bad Debt Recovery				2,097
Gain on Sale of Assets				72
<b>Total General Revenues, Special Items, and Transfers</b>				<b>199,121</b>
Change in Net Position				103,564
Net Position - Beginning				1,023,364
<b>Net Position - Ending</b>				<b>\$ 1,126,928</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

## CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2013

### Note A – Summary of Significant Accounting Policies

#### **Financial Reporting Entity**

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

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

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

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

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

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

## CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2013

### Note A – Summary of Significant Accounting Policies (Continued)

#### **Basis of Presentation – Measurement Focus and Basis of Accounting**

##### *Government-Wide Financial Statements*

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. 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 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 each program or business segment is self-financing or drawing from the general revenues of the City.

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

Separate financial statements are provided for governmental funds and proprietary funds. 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.

## CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2013

### Note A – Summary of Significant Accounting Policies (Continued)

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

##### *Basis of Presentation - Fund Accounting (Continued)*

The City's funds are grouped into two broad fund categories for financial statement presentation purposes. Governmental funds include the General Fund and Special Revenue Fund. Proprietary funds include the enterprise funds.

##### *Fund Financial Statements*

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

#### ***GOVERNMENTAL FUNDS***

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

The major governmental funds are:

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

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

There are no non-major governmental funds.

##### **Revenue Recognition:**

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

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax receivables are recorded and deferred 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.

## CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2013

### Note A – Summary of Significant Accounting Policies (Continued)

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

##### ***GOVERNMENTAL FUNDS (CONTINUED)***

Revenue Recognition (Continued):

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

Expenditure Recognition:

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

##### ***PROPRIETARY FUNDS***

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

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

## CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2013

### Note A – Summary of Significant Accounting Policies (Continued)

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

##### ***PROPRIETARY FUNDS (CONTINUED)***

The major proprietary funds are:

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

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

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

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

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

There are no non-major proprietary funds.

The City has no internal service funds.

##### ***FIDUCIARY FUNDS***

The City has no fiduciary funds.

##### ***Cash and Cash Equivalents***

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

##### ***Investments***

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

## CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2013

### Note A – Summary of Significant Accounting Policies (Continued)

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

##### **Receivable and Payable Balances**

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. The City records an allowance for accounts it deems to be uncollectible. The allowance for uncollectible accounts receivable was \$33,848 at September 30, 2013 and is reported in the business-type activities.

##### **Inventory of Supplies**

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

##### **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 as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and reported as capital assets in the government-wide financial statements. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000.

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

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

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

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

##### **Interest Capitalization**

The City does not capitalize interest costs related to construction.

# CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2013

## Note A – Summary of Significant Accounting Policies (Continued)

### **Equity Classifications**

#### *Government-Wide Financial Statement Equity*

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

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

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

#### *Fund Statement Equity*

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

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

## CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2013

### Note A – Summary of Significant Accounting Policies (Continued)

#### **Equity Classifications (Continued)**

##### *Fund Statement Equity (Continued)*

- *Assigned fund balance*—amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council has authorized the City Manager to assign, reassign, and unassign fund balances.
- *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.

#### **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*.

### Note B – Discretely Presented Component Unit

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

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2013

### Note C – Compliance and Accountability

#### **Budget Requirements, Accounting, and Reporting**

The budget requirements for all funds are as follows:

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

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

Amendments to the appropriation ordinance during the fiscal year ending September 30, 2013 were approved by City Council as provided by the Charter.

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

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

#### **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, 2013:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers In/Out</u>
<b>Governmental Activities</b>			
General Fund	\$ 2,621,551	\$ -	\$ 2,621,551
Special Revenue Fund	1,090,919	2,441,045	(1,350,126)
<b>Business-Type Activities</b>			
Sewer and Electric	384,375	2,941,703	(2,557,328)
Water	186,595	364,003	(177,408)
Gas	-	486,836	(486,836)
Solid Waste	-	69,308	(69,308)
Utility Support	2,019,455	-	2,019,455
	<u>\$ 6,302,895</u>	<u>\$ 6,302,895</u>	<u>\$ -</u>

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2013

#### Note D – Deposits and Investments

#### **Policies and Practices**

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

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

#### **Deposits and Investments**

The carrying amount of the City's cash held with financial institutions was \$9,516,802 and the bank balance was \$9,559,662. The bank balance is categorized as follows:

Insured by FDIC or collateralized with securities held by the City or its agent in the City's name.	\$ 500,000
Collateralized with securities held by the pledging financial institution or its agent but not in the City's name.	9,059,662
Total Bank Balance	<u>\$ 9,559,662</u>

All deposits were fully secured at the balance sheet date.

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 invested in Federal National Mortgage Association Stripped Mortgage Securities. The investment is currently held by Coastal Securities. The investment is carried on the balance sheet at a net book value of \$0, as it was fully amortized as of September 30, 2013.

## CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2013

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

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

The City had deposits and investments restricted for the following purposes at September 30, 2013:

Restricted For:	Governmental Activities	Business-Type Activities	Total
State, Local and Federally Funded Programs	\$ 115,411	\$ -	\$ 115,411
Police Activities	16,508	-	16,508
Court Technology and Security	2,476	-	2,476
Debt Service	21,698	137,921	159,619
Repair and Replacement of Equipment	-	220,000	220,000
Utility Customer Deposits	-	629,754	629,754
Landfill Closure Reserve	-	261,134	261,134
Total Restricted Cash	<u><u>\$ 156,093</u></u>	<u><u>\$ 1,248,809</u></u>	<u><u>\$ 1,404,902</u></u>

### Note E – Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E of the Texas Property Tax Code. Taxes are due and payable upon receipt of the tax bill and are considered delinquent if not paid by February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the City's fiscal year.

The McCulloch County Appraisal District appraises and collects taxes for the City. For 2013, the City of Brady had property with an assessed valuation of \$209,771,943. The tax rate was \$0.2887 per \$100 valuation.

**CITY OF BRADY, TEXAS**

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2013**

**Note F – Capital Assets and Depreciation**

Capital asset activity for the year ended September 30, 2013 was as follows:

<b>Governmental Activities</b>	<b>Balance</b>				<b>Balance</b>
	<b>10/1/2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>9/30/2013</b>
<b>Capital assets not being depreciated:</b>					
Land	\$ 728,734	\$ -	\$ -	\$ -	\$ 728,734
Construction in progress	190,242	175,927	-	(111,129)	255,040
<b>Subtotal</b>	<b>918,976</b>	<b>175,927</b>	<b>-</b>	<b>(111,129)</b>	<b>983,774</b>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	7,417,908	117,930	-	(5,001)	7,530,837
Infrastructure	8,930,110	17,884	-	-	8,947,994
Vehicles	1,199,426	-	(156,739)	-	1,042,687
Equipment	1,988,596	10,021	(16,000)	-	1,982,617
<b>Subtotal</b>	<b>19,536,040</b>	<b>145,835</b>	<b>(172,739)</b>	<b>(5,001)</b>	<b>19,504,135</b>
<b>Accumulated depreciation:</b>					
Buildings and improvements	(2,953,345)	(221,050)	-	5,001	(3,169,394)
Infrastructure	(5,039,297)	(649,497)	-	-	(5,688,794)
Vehicles	(796,918)	(150,576)	156,739	-	(790,755)
Equipment	(1,341,007)	(128,911)	16,000	-	(1,453,918)
<b>Subtotal</b>	<b>(10,130,567)</b>	<b>(1,150,034)</b>	<b>172,739</b>	<b>5,001</b>	<b>(11,102,861)</b>
<b>Net capital assets being depreciated</b>	<b>9,405,473</b>	<b>(1,004,199)</b>	<b>-</b>	<b>-</b>	<b>8,401,274</b>
<b>Net capital assets</b>	<b>\$ 10,324,449</b>	<b>\$ (828,272)</b>	<b>\$ -</b>	<b>\$ (111,129)</b>	<b>\$ 9,385,048</b>

**CITY OF BRADY, TEXAS**

Notes to the Financial Statements  
For the Year Ended September 30, 2013

**Note F – Capital Assets and Depreciation (Continued)**

<b>Business-Type Activities</b>	<b>Balance</b>				<b>Balance</b>
	<b>10/1/2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>9/30/2013</b>
Capital assets not being depreciated:					
Land	\$ 84,829	\$ -	\$ -	\$ -	\$ 84,829
Construction in progress	577,569	4,542,173	-	-	5,119,742
Subtotal	662,398	4,542,173	-	-	5,204,571
Capital assets being depreciated:					
Buildings and improvements	13,120,682	-	-	5,001	13,125,683
Infrastructure	14,198,976	-	(4,158)	-	14,194,818
Vehicles	511,959	24,100	(12,000)	-	524,059
Equipment	2,602,360	-	(23,948)	-	2,578,412
Subtotal	30,433,977	24,100	(40,106)	5,001	30,422,972
Accumulated depreciation:					
Buildings and improvements	(3,582,166)	(227,134)	-	(5,001)	(3,814,301)
Infrastructure	(6,370,369)	(961,881)	4,158	-	(7,328,092)
Vehicles	(461,816)	(49,340)	12,000	-	(499,156)
Equipment	(1,501,025)	(89,350)	23,948	-	(1,566,427)
Subtotal	(11,915,376)	(1,327,705)	40,106	(5,001)	(13,207,976)
Net capital assets being depreciated	<u>18,518,601</u>	<u>(1,303,605)</u>	<u>-</u>	<u>-</u>	<u>17,214,996</u>
Net capital assets	\$ <u>19,180,999</u>	\$ <u>3,238,568</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>22,419,567</u>

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2013

### Note F – Capital Assets and Depreciation (Continued)

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

#### **Governmental Activities**

Administration	\$ 25,179
Airport	477,701
Public Property Maintenance	104,819
Golf Course	30,025
Fire Department	22,393
Police Department	69,855
Street Department	281,551
Civic Center	1,709
Municipal Court	1,226
Animal Control	4,464
EMS Department	90,767
Lake Department	32,533
G. Rollie White Complex	6,736
Senior Citizens Program	1,076
Total Depreciation Expense	<u>\$ 1,150,034</u>

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

Electric	\$ 324,003
Sewer	59,606
Water	601,940
Gas	278,055
Solid Waste	53,020
Utility Support	11,081
Total Depreciation Expense	<u>\$ 1,327,705</u>

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2013

#### Note G – Pension Plan

#### **Plan Description**

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2012	Plan Year 2013
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

#### **Contributions**

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

**CITY OF BRADY, TEXAS**

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2013**

**Note G – Pension Plan (Continued)**

**Contributions (Continued)**

The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 321,269
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	<u>321,269</u>
Contributions Made	(321,269)
Increase (Decrease) in Net Pension	-
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), end of year	<u>\$ -</u>

Three-year trend information:

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution Made	Percentage of APC Contributed	Net Pension Obligation (Asset)
2011	\$ 248,258	\$ 248,258	100%	\$ -
2012	\$ 290,988	\$ 290,988	100%	\$ -
2013	\$ 321,269	\$ 321,269	100%	\$ -

The required contributions rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, as is follows:

	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.0 years; closed period	27.1 years; closed period	26.0 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:	Market	Market	Market
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.1%	2.1%	2.1%

# CITY OF BRADY, TEXAS

## Notes to the Financial Statements For the Year Ended September 30, 2013

### Note G – Pension Plan (Continued)

#### **Contributions (Continued)**

The funded status as of December 31, 2012, under the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) = (1) / (2)	Unfunded AAL (UAAL) (4) = (2) - (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) = (4) / (5)
12/31/2012	\$5,354,839	\$7,189,618	74.5%	\$1,834,779	\$2,937,222	62.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

#### **Supplemental Death Benefits**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS), known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

## CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2013

### Note G – Pension Plan (Continued)

#### **Supplemental Death Benefits (Continued)**

The City contributes to the SDBF at a contractually required rate 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 employees' entire careers.

The City's contributions to the TMRS SDBF for the years ending September 30, 2013, 2012, and 2011 were \$7,160, \$6,999, and \$9,034, respectively, which equaled the required contributions each year.

### Note H – Other Employee Benefits

#### **Compensated Absences**

The City allows employees, after the completion of a six-month probation period, to begin accruing vacation leave. Vacation leave may be accrued to a maximum of 15 days, which will be paid to an employee upon resignation, death, or termination. No sick leave will be paid to an employee upon termination of employment. The total vacation accrual obligation for the City amounted to \$107,133 at September 30, 2013.

### Note I – Risk Management

#### **Liability Insurance**

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

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

### Note J - Leases

The City leases property and equipment through various operating and capital leases. Capital lease obligations are discussed in Note K. All operating leases, including leases of office equipment, golf equipment, and landfill heavy equipment, were determined to be non-cancelable. Total expenditures for operating leases for the fiscal year ended September 30, 2013 were \$19,672 for governmental activities and \$59,488 for business-type activities.

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2013

#### Note J – Leases (Continued)

Future minimum lease payments for operating leases are as follows:

Year Ended September 30,	Amount
2014	\$ 40,249
2015	36,032
2016	15,899
2017	2,268
Total	<u><u>94,448</u></u>

The assets acquired through capital leases have a capitalized cost of \$5,930,901. Accumulated depreciation at year-end was \$2,443,782. Capital lease obligations are discussed in Note K.

#### Note K – Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2013 includes the following:

<b>Governmental Activities</b>	Balance 10/1/2012	Additions	Reductions	Balance 9/30/2013	Amount Due Within One Year
					\$
General Obligation Refunding Bonds, Series 2003	\$ 470,000	\$ -	\$ (150,000)	\$ 320,000	\$ 155,000
General Obligation Refunding Bonds, Series 2012	1,509,200	-	(19,600)	1,489,600	54,600
Welch State Bank	12,920	-	(10,285)	2,635	2,635
PNC Equipment Finance	3,068	-	(3,068)	-	-
Brady National Bank	36,000	-	(36,000)	-	-
PNC Equipment Finance	7,939	-	(3,976)	3,963	3,994
View Point Bank	77,711	-	(41,312)	36,399	39,804
Bank & Trust	65,643	-	(29,381)	36,262	30,946
Security State Bank	66,328	-	(16,344)	49,984	17,499
View Point Bank	57,881	-	(26,052)	31,829	27,260
First Financial	107,029	-	(24,624)	82,405	25,624
Total Bonds, Notes, and Capital Leases Payable	2,413,719	-	(360,642)	2,053,077	357,362
Compensated Absences	65,413	17,714	-	83,127	-
<b>Total Governmental Activities</b>	<b>\$ 2,479,132</b>	<b>\$ 17,714</b>	<b>\$ (360,642)</b>	<b>\$ 2,136,204</b>	<b>\$ 357,362</b>

**CITY OF BRADY, TEXAS**

**Notes to the Financial Statements**  
**For the Year Ended September 30, 2013**

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

<b>Business-Type Activities</b>	<b>Balance</b>			<b>Balance</b>	<b>Amount Due</b>
	<u>10/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>9/30/2013</u>	<u>Within One Year</u>
<b>Sewer and Electric:</b>					
Certificates of Obligation - WWTP, Series 2012	\$ -	\$ 1,210,000	\$ -	\$ 1,210,000	\$ -
Security State Bank	75,580	-	(19,070)	56,510	19,783
Schertz State Bank	23,561	-	(6,315)	17,246	6,640
Texas Bank	-	517,200	(34,104)	483,096	45,450
	<u>99,141</u>	<u>1,727,200</u>	<u>(59,489)</u>	<u>1,766,852</u>	<u>71,873</u>
<b>Water:</b>					
Certificates of Obligation, Series 2000	3,990,000	-	(210,000)	3,780,000	210,000
Certificates of Obligation, Series 2004	370,000	-	(85,000)	285,000	90,000
General Obligation Refunding Bonds, Series 2012	30,800	-	(400)	30,400	400
Schertz State Bank	-	23,823	(1,689)	22,134	5,595
Texas Bank	-	1,099,050	(72,472)	1,026,578	96,581
	<u>4,390,800</u>	<u>1,122,873</u>	<u>(369,561)</u>	<u>5,144,112</u>	<u>402,576</u>
<b>Gas:</b>					
John Deere Credit	17,334	-	(13,744)	3,590	3,590
Security State Bank	13,025	-	(3,502)	9,523	3,334
Shertz Bank & Trust	23,637	-	(5,570)	18,067	5,878
Texas Bank	-	538,750	(35,525)	503,225	47,344
	<u>53,996</u>	<u>538,750</u>	<u>(58,341)</u>	<u>534,405</u>	<u>60,146</u>
<b>Solid Waste:</b>					
View Point Bank	151,724	-	(51,876)	99,848	50,536
Caterpillar Financial	182,984	-	(44,517)	138,467	45,974
	<u>334,708</u>	<u>-</u>	<u>(96,393)</u>	<u>238,315</u>	<u>96,510</u>
Total Bonds, Notes, and Capital Leases Payable	4,878,645	3,388,823	(583,784)	7,683,684	631,105
Compensated Absences	25,535	-	(1,529)	24,006	-
Total Business-Type Activities	<u>\$ 4,904,180</u>	<u>\$ 3,388,823</u>	<u>\$ (585,313)</u>	<u>\$ 7,707,690</u>	<u>\$ 631,105</u>

## CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2013

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

#### **Description of Debt**

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

On May 1, 2000, the City issued the Combination Tax and Waterworks Surplus Revenue Certificates of Obligation, Series 2000. Principal amounts on these certificates are due and payable annually on May 1. The certificates are interest free and will be paid in full on May 1, 2031. The principal amount outstanding at September 30, 2013 was \$3,780,000.

##### *General Obligation Refunding Bonds, Series 2003*

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

On April 11, 2012, the City issued the General Obligation Refunding Bonds, Series 2012. A portion of the proceeds were used to redeem \$1,340,000 in future annual principal maturities of the General Obligation Refunding Bonds, Series 2003, due September 2017 through September 2022. The principal amount outstanding at September 30, 2013 was \$320,000.

##### *Combination Tax and Revenue Certificates of Obligation, Series 2004*

On December 8, 2004, the City issued the Combination Tax and Revenue Certificates of Obligation, Series 2004 in the amount of \$2,200,000. These bonds were issued to relocate and construct utility transmission lines and related improvements. Principal amounts on these certificates are due and payable annually beginning May 1, 2006. Interest is due and payable semi-annually beginning March 1, 2005 at rates ranging from 2.79% to 5.69%. These certificates will be paid in full on May 1, 2017. Bond issuance costs are amortized over a period of two hundred fifty-seven (257) months.

On April 11, 2012, the City issued the General Obligation Refunding Bonds, Series 2012. A portion of the proceeds were used to redeem \$30,000 in future annual principal maturities of the Combination Tax and Revenue Certificates of Obligation, Series 2004, due in May 2017. The principal amount outstanding at September 30, 2013 was \$285,000.

## CITY OF BRADY, TEXAS

Notes to the Financial Statements  
For the Year Ended September 30, 2013

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

#### **Description of Debt (Continued)**

##### *General Obligation Refunding Bonds, Series 2012*

On April 11, 2012, the City issued the General Obligation Refunding Bonds, Series 2012, in the amount of \$1,560,000. These bonds were issued to advance refund a portion of the outstanding General Obligation Refunding Bonds, Series 2003, advance refund a portion of the outstanding Combination Tax and Revenue Certificates of Obligation, Series 2004, and advance refund a portion of the outstanding Tax Note, Series 2007, prior to their maturities. Principal amounts on these bonds are due and payable annually beginning September 1, 2012. Interest is due and payable semi-annually beginning September 1, 2012 at rates ranging from 1.000% to 2.875%. The bonds mature on September 1, 2022. Bond premium and issuance costs are amortized over a period of ten (10) years. The principal amount outstanding at September 30, 2013 was \$1,520,000.

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

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

##### *Brady National Bank Tax Note, Series 2007*

On October 15, 2007, the City borrowed \$254,000 from Brady National Bank to fund installation of a sprinkler system on the City's golf course. Principal amounts on this note are due and payable annually beginning November 1, 2008. Interest is due and payable semi-annually beginning May 1, 2008. The interest rate on this note is 5.50% and the note will be paid in full November 1, 2014. On April 11, 2012, the City issued the General Obligation Refunding Bonds, Series 2012. A portion of the proceeds were used to redeem the future annual principal maturities due November 2013 and November 2014. The note was paid in full during the fiscal year ending September 30, 2013.

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2013

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

##### **Description of Debt (Continued)**

###### *PNC Equipment Finance*

On March 20, 2008, the City entered a capital lease agreement with PNC Equipment Finance. This lease was for the purchase of a new spray rig. The lease is due and payable in 60 monthly payments of \$450 beginning May 19, 2008. Payments include interest of 5.76%. The lease matured and was paid in full during the fiscal year ended September 30, 2013.

###### *Welch State Bank*

On December 2008, the City entered a capital lease agreement with Welch State Bank. This lease was for the purchase of a 2008 Caterpillar 914G Loader. The lease is due and payable in 60 monthly payments of \$884 beginning January 22, 2009. Payments include interest of 3.94%. The lease will be paid in full on December 22, 2013.

###### *John Deere Credit*

On December 22, 2008, the City entered a capital lease agreement with John Deere Credit. This lease was for the purchase of a John Deere 310J Backhoe. The lease is due and payable in 60 monthly payments of \$1,210 beginning January 11, 2009. Payments include interest of 7.00%. The lease will be paid in full on December 11, 2013.

###### *PNC Equipment Finance*

On July 1, 2010, the City entered a capital lease agreement with PNC Equipment Finance. This lease was for the purchase of a new greensmower. The lease is due and payable in one payment of \$10,000 due October 15, 2010 and 46 monthly payments of \$328 beginning November 15, 2010. Payments include interest of 8.86%. The lease will be paid in full on August 15, 2014.

###### *View Point Bank*

On September 16, 2009, the City entered a capital lease agreement with View Point Bank. This lease was for the purchase of a new ambulance. This lease is due and payable in 60 monthly payments of \$3,406 beginning November 1, 2009. Payments include interest of 4.893%. This lease will be paid in full on October 1, 2014.

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2013

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

##### **Description of Debt (Continued)**

###### *View Point Bank*

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

###### *The Bank & Trust, S.S.B*

On December 12, 2010, the City entered a capital lease agreement with The Bank & Trust, S.S.B. This lease was for the purchase of police vehicles and equipment. This lease is due and payable in 48 monthly payments \$2,675 beginning December 15, 2010. Payments include interest of 4.94%. This lease will be paid in full on November 15, 2014.

###### *Security State Bank*

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

###### *View Point Bank*

On October 18, 2011, the City entered a capital lease agreement with View Point Bank. This lease was for the purchase of police vehicles. This lease is due and payable in 36 monthly payments of \$2,352 beginning December 1, 2011. Payments include interest of 4.957%. This lease will be paid in full on November 1, 2014.

###### *First Financial Bank, N.A.*

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

###### *Schertz Bank and Trust*

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

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2013

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

##### **Description of Debt (Continued)**

###### *Schertz Bank and Trust*

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

###### *Caterpillar Financial*

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

###### *Texas Bank*

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

###### *Schertz Bank & Trust*

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

**CITY OF BRADY, TEXAS**

Notes to the Financial Statements  
For the Year Ended September 30, 2013

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

**Debt Maturity**

Debt service requirements at September 30, 2013 were as follows:

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

Year Ended September 30	Principal	Interest	Total
2014	\$ 210,000	\$ -	\$ 210,000
2015	210,000	-	210,000
2016	210,000	-	210,000
2017	210,000	-	210,000
2018	210,000	-	210,000
2019-2023	1,050,000	-	1,050,000
2024-2028	1,050,000	-	1,050,000
2029-2031	630,000	-	630,000
	<b>\$ 3,780,000</b>	<b>\$ -</b>	<b>\$ 3,780,000</b>

*General Obligation Refunding Bonds, Series 2003*

Year Ended September 30	Principal	Interest	Total
2014	\$ 155,000	\$ 69,966	\$ 224,966
2015	165,000	64,231	229,231
	<b>\$ 320,000</b>	<b>\$ 134,197</b>	<b>\$ 454,197</b>

*Combination Tax and Revenue Certificates of Obligation, Series 2004*

Year Ended September 30	Principal	Interest	Total
2014	\$ 90,000	\$ 84,455	\$ 174,455
2015	95,000	80,279	175,279
2016	100,000	75,729	175,729
	<b>\$ 285,000</b>	<b>\$ 240,463</b>	<b>\$ 525,463</b>

**CITY OF BRADY, TEXAS**

Notes to the Financial Statements  
For the Year Ended September 30, 2013

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

**Debt Maturity (Continued)**

*General Obligation Refunding Bonds, Series 2012*

Year Ended September 30	Principal	Interest	Total
2014	\$ 55,000	\$ 36,525	\$ 91,525
2015	55,000	35,425	90,425
2016	185,000	34,325	219,325
2017	215,000	30,625	245,625
2018	195,000	26,325	221,325
2019-2022	815,000	56,850	871,850
	<u>\$ 1,520,000</u>	<u>\$ 220,075</u>	<u>\$ 1,740,075</u>

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

Year Ended September 30	Principal	Interest	Total
2014	\$ -	\$ 18,293	\$ 18,293
2015	115,000	18,293	133,293
2016	115,000	17,811	132,811
2017	115,000	17,109	132,109
2018	115,000	16,097	131,097
2019-2023	620,000	52,903	672,903
2024	130,000	2,964	132,964
	<u>\$ 1,210,000</u>	<u>\$ 143,470</u>	<u>\$ 1,353,470</u>

*Welch State Bank*

Year Ended September 30	Principal	Interest	Total
2014	\$ 2,635	\$ 17	\$ 2,652
	<u>\$ 2,635</u>	<u>\$ 17</u>	<u>\$ 2,652</u>

**CITY OF BRADY, TEXAS**

Notes to the Financial Statements  
For the Year Ended September 30, 2013

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

**Debt Maturity (Continued)**

*John Deere Credit*

Year Ended September 30	Principal	Interest	Total
2014	\$ 3,589	\$ 42	\$ 3,631
	<u><u>\$ 3,589</u></u>	<u><u>\$ 42</u></u>	<u><u>\$ 3,631</u></u>

*PNC Equipment Finance*

Year Ended September 30	Principal	Interest	Total
2014	\$ 3,945	\$ 155	\$ 4,100
	<u><u>\$ 3,945</u></u>	<u><u>\$ 155</u></u>	<u><u>\$ 4,100</u></u>

*View Point Bank*

Year Ended September 30	Principal	Interest	Total
2014	\$ 39,804	\$ 1,063	\$ 40,867
	<u><u>\$ 39,804</u></u>	<u><u>\$ 1,063</u></u>	<u><u>\$ 40,867</u></u>

*View Point Bank*

Year Ended September 30	Principal	Interest	Total
2014	\$ 50,536	\$ 3,881	\$ 54,417
2015	\$ 53,024	\$ 1,393	\$ 54,417
	<u><u>\$ 103,560</u></u>	<u><u>\$ 5,274</u></u>	<u><u>\$ 108,834</u></u>

*The Bank & Trust, S.S.B.*

Year Ended September 30	Principal	Interest	Total
2014	\$ 30,946	\$ 1,157	\$ 32,103
2015	\$ 5,316	\$ 35	\$ 5,351
	<u><u>\$ 36,262</u></u>	<u><u>\$ 1,192</u></u>	<u><u>\$ 37,454</u></u>

**CITY OF BRADY, TEXAS**

Notes to the Financial Statements  
For the Year Ended September 30, 2013

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

**Debt Maturity (Continued)**

*Security State Bank*

Year Ended September 30	Principal	Interest	Total
2014	\$ 40,617	\$ 4,182	\$ 44,799
2015	42,393	2,406	44,799
2016	33,008	592	33,600
	<u>\$ 116,018</u>	<u>\$ 7,180</u>	<u>\$ 123,198</u>

*View Point Bank*

Year Ended September 30	Principal	Interest	Total
2014	\$ 27,260	\$ 969	\$ 28,229
2015	4,676	29	4,705
	<u>\$ 31,936</u>	<u>\$ 998</u>	<u>\$ 32,934</u>

*First Financial Bank, N.A.*

Year Ended September 30	Principal	Interest	Total
2014	\$ 25,624	\$ 2,830	\$ 28,454
2015	26,668	1,786	28,454
2016	27,754	700	28,454
2017	2,362	8	2,370
	<u>\$ 82,408</u>	<u>\$ 5,324</u>	<u>\$ 87,732</u>

*Schertz Bank and Trust*

Year Ended September 30	Principal	Interest	Total
2014	\$ 6,640	\$ 716	\$ 7,356
2015	6,982	374	7,356
2016	3,624	53	3,677
	<u>\$ 17,246</u>	<u>\$ 1,143</u>	<u>\$ 18,389</u>

**CITY OF BRADY, TEXAS**

Notes to the Financial Statements  
For the Year Ended September 30, 2013

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

**Debt Maturity (Continued)**

*Schertz Bank and Trust*

Year Ended September 30	Principal	Interest	Total
2014	\$ 5,878	\$ 830	\$ 6,708
2015	6,203	505	6,708
2016	5,986	163	6,149
	<b>\$ 18,067</b>	<b>\$ 1,498</b>	<b>\$ 19,565</b>

*Caterpillar Financial*

Year Ended September 30	Principal	Interest	Total
2014	\$ 45,974	\$ 3,747	\$ 49,721
2015	47,467	2,254	49,721
2016	45,015	562	45,577
	<b>\$ 138,456</b>	<b>\$ 6,563</b>	<b>\$ 145,019</b>

*Texas Bank*

Year Ended September 30	Principal	Interest	Total
2014	\$ 189,375	\$ 64,998	\$ 254,373
2015	195,785	58,595	254,380
2016	202,404	51,975	254,379
2017	209,248	45,132	254,380
2018	216,323	38,057	254,380
2019-2023	1,004,014	77,100	1,081,114
	<b>\$ 2,017,149</b>	<b>\$ 335,857</b>	<b>\$ 2,353,006</b>

*Schertz Bank & Trust*

Year Ended September 30	Principal	Interest	Total
2014	\$ 5,595	\$ 1,096	\$ 6,691
2015	5,916	775	6,691
2016	6,255	435	6,690
2017	4,368	92	4,460
	<b>\$ 22,134</b>	<b>\$ 2,398</b>	<b>\$ 24,532</b>

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2013

#### Note L – Landfill Closure and Postclosure Costs

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

The estimated liability for landfill closure and postclosure care costs was \$261,134 as of September 30, 2013, which was based on 15.87% usage (filled) of the landfill. It is estimated that an additional \$1,384,028 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 (\$1,645,162) 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, 2013. 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 2013 disposal is in excess of 100 years. The current estimated liability of \$261,134 is reported in the Solid Waste Fund as a long-term liability. The City of Brady is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The City is in compliance with these requirements.

#### Note M – Fund Balances

The City reported the following fund balance designations at September 30, 2013:

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Nonspendable:</b>			
Inventory	\$ 53,791	\$ -	\$ 53,791
Total Nonspendable	53,791	-	53,791
<b>Restricted For:</b>			
Debt Service	21,698	-	21,698
State and Federally Funded Programs	-	115,411	115,411
Police Activities	16,507	-	16,507
Court Technology and Security	2,477	-	2,477
Total Restricted	40,682	115,411	156,093
Unassigned	1,395,723	26,599	1,422,322
<b>Total Fund Balances</b>	<b>\$ 1,490,196</b>	<b>\$ 142,010</b>	<b>\$ 1,632,206</b>

## CITY OF BRADY, TEXAS

### Notes to the Financial Statements For the Year Ended September 30, 2013

#### Note N – Restricted Net Position

The City reported the following restricted net position at September 30, 2013:

Restricted For:	Governmental Activities	Business-Type Activities	Total Governmental Funds
Debt Service	\$ 21,698	\$ 137,921	\$ 159,619
State, Local, and Federally Funded Programs	115,412	2,268,959	2,384,371
Repair and Replacement of Equipment	-	785,037	785,037
Landfill Closure	-	261,134	261,134
Police Activities	16,507	-	16,507
Utility Deposits	-	629,754	629,754
Court Technology and Security	2,476	-	2,476
Total Restricted	<u>\$ 156,093</u>	<u>\$ 4,082,805</u>	<u>\$ 4,238,898</u>

#### Note N – Subsequent Events

On November 25, 2013, the City issued debt in the amount of \$350,000 and received a loan forgiveness grant in the amount of \$350,000, for a total of \$700,000, from the Texas Water Development Board (TWBD) to provide for planning costs associated with developing corrective action to comply with the Texas Commission on Environmental Quality standards for drinking water.

On October 15, 2014, two finance contracts with Governmental Capital were issued in the amounts of \$190,210 and \$25,962 to purchase a street sweeper and a forklift, respectively.



**REQUIRED SUPPLEMENTAL INFORMATION**



**CITY OF BRADY, TEXAS**

**Required Supplemental Information**

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

**General Fund**

**For the Year Ended September 30, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Tax	\$ 603,350	\$ 639,722	\$ 640,829	\$ 1,107
Sales Tax	780,000	830,000	841,377	11,377
Franchise Taxes	47,000	40,472	40,471	(1)
Mixed Beverage Tax	800	500	590	90
Interest Income	46,335	52,734	56,687	3,953
Miscellaneous Revenue	250	4,860	5,478	618
Reimbursed Expenses	2,500	7,453	17,894	10,441
Administrative Services	42,025	55,703	56,432	729
Airport Revenue	725,494	1,161,366	1,204,551	43,185
Public Property Maintenance	-	-	40,106	40,106
Golf Course	105,900	108,230	109,948	1,718
Swimming Pool	15,000	20,000	20,329	329
Fire Department	83,000	85,000	84,868	(132)
Police Department	50,700	50,700	54,738	4,038
Emergency Op Center	15,000	15,000	-	(15,000)
Street Department	-	-	13	13
Civic Center	12,500	264,350	43,945	(220,405)
Municipal Court	60,200	41,300	40,520	(780)
Repair Shop	-	245	245	-
Animal Control	700	1,465	1,404	(61)
City/County EMS	583,388	703,388	718,518	15,130
Lake Department	157,679	131,719	137,681	5,962
G.R. White Complex	3,100	450	750	300
Building & Permitting	20,000	13,500	16,099	2,599
Donations	10,000	20,800	20,807	7
Grant Revenue	9,000	20,598	11,599	(8,999)
<b>Total Revenues</b>	<b>\$ 3,373,921</b>	<b>\$ 4,269,555</b>	<b>\$ 4,165,879</b>	<b>\$ (103,676)</b>

**CITY OF BRADY, TEXAS**

Required Supplemental Information

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

General Fund

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)		
<b>EXPENDITURES</b>					
Administration	\$ 627,131	\$ 667,551	\$ 575,683	\$ 91,868	
Airport	232,248	1,128,461	1,151,439	(22,978)	
Public Property Maintenance	319,473	304,869	290,524	14,345	
Mayor and Council	36,194	34,595	34,878	(283)	
Golf Course	262,700	260,482	269,296	(8,814)	
Swimming Pool	85,139	89,697	82,381	7,316	
Fire Department	813,462	797,428	720,499	76,929	
Police Department	981,798	996,463	952,373	44,090	
Emergency Op Center	41,972	35,627	24,541	11,086	
Street Department	441,153	340,203	301,831	38,372	
Civic Center	25,500	28,000	13,748	14,252	
Municipal Court	76,668	45,783	35,165	10,618	
Special Services	48,000	48,000	47,282	718	
Repair Shop	56,581	54,976	50,260	4,716	
Animal Control	54,549	58,259	54,119	4,140	
City/County EMS	690,466	714,475	672,476	41,999	
Lake Department	214,631	205,142	184,023	21,119	
G.R. White Complex	24,700	24,605	12,135	12,470	
Financial Administration	228,531	226,126	222,236	3,890	
Building & Permitting	139,710	112,280	110,002	2,278	
Capital Outlay	76,668	45,783	203,342	(157,559)	
Debit Service					
Principal	-	-	360,642	(360,642)	
Interest	-	-	69,664	(69,664)	
Total Expenditures	<u>5,477,274</u>	<u>6,218,805</u>	<u>6,438,539</u>	<u>(219,734)</u>	
Excess (Deficiency) of Revenues					
Over Expenditures	(2,103,353)	(1,949,250)	(2,272,660)	(323,410)	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	3,193,379	2,832,158	2,621,550	(210,608)	
Lease Proceeds	11,000	-	-	-	
Sale of Fixed Assets	-	-	2,500	2,500	
Total Other Financing Sources (Uses)	<u>3,204,379</u>	<u>2,832,158</u>	<u>2,624,050</u>	<u>(208,108)</u>	
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,101,026	882,908	351,390	(531,518)	
Fund Balance - Beginning, GAAP Basis	<u>1,138,806</u>	<u>1,138,806</u>	<u>1,138,806</u>	<u>-</u>	
Fund Balance - Ending, GAAP and Budgetary Basis	\$ <u>2,239,832</u>	\$ <u>2,021,714</u>	\$ <u>1,490,196</u>	\$ <u>(531,518)</u>	

CITY OF BRADY, TEXAS

Required Supplemental Information

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

Special Revenue Fund

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)		
<b>REVENUES</b>					
Sales Taxes	\$ 200,000	\$ 200,000	\$ 205,200	\$ 205,200	5,200
Hotel Occupancy Taxes	160,000	170,000	189,928		19,928
Senior Citizen Revenues	30,000	29,000	29,123		123
Pass-Through Services Revenue	5,000	5,000	5,699		699
Community Development	259,000	-	-		-
Grant Revenues	1,876,000	4,406,247	1,677,135		(2,729,112)
<b>Total Revenues</b>	<b>2,530,000</b>	<b>4,810,247</b>	<b>2,107,085</b>		<b>(2,703,162)</b>
<b>EXPENDITURES</b>					
Pass-Through Services	365,000	410,164	435,990		(25,826)
Senior Citizens Program	296,885	303,360	295,927		7,433
Community Development	2,199,300	2,440,685	7,459		2,433,226
Capital Outlay	-	-	7,291		(7,291)
<b>Total Expenditures</b>	<b>2,861,185</b>	<b>3,154,209</b>	<b>746,667</b>		<b>2,407,542</b>
Excess (Deficiency) of Revenues Over Expenditures	(331,185)	1,656,038	1,360,418		(295,620)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	331,185	618,898	1,090,919		472,021
Operating Transfers Out	-	-	(2,441,045)		(2,441,045)
<b>Total Other Financing Sources and Uses</b>	<b>331,185</b>	<b>618,898</b>	<b>(1,350,126)</b>		<b>(1,969,024)</b>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	2,274,936	10,292		(2,264,644)
<b>Fund Balance - Beginning, GAAP Basis</b>	<b>131,720</b>	<b>131,720</b>	<b>131,720</b>		<b>-</b>
<b>Fund Balance - Ending, GAAP and Budgetary Basis</b>	<b>\$ 131,720</b>	<b>\$ 2,406,656</b>	<b>\$ 142,012</b>		<b>\$ (2,264,644)</b>

## CITY OF BRADY, TEXAS

### Required Supplemental Information Notes to the Budgetary Comparison Schedules For the Year Ended September 30, 2013

#### **Budget Requirements, Accounting, and Reporting**

The budget requirements for all funds are as follows:

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

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

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

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

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

**CITY OF BRADY, TEXAS**

**Required Supplemental Information**

**Texas Municipal Retirement System – Schedule of Funding Progress (Unaudited)**

**For the Year Ended September 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) = (1) / (2)	Unfunded AAL (UAAL) (4) = (2) - (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) = (4) / (5)
12/31/2010	\$ 4,354,539	\$ 6,309,735	69.0%	\$ 1,955,196	\$ 2,957,691	66.1%
12/31/2011	\$ 4,822,373	\$ 6,772,622	71.2%	\$ 1,950,249	\$ 2,946,284	66.2%
12/31/2012	\$ 5,354,839	\$ 7,189,618	74.5%	\$ 1,834,779	\$ 2,937,222	62.5%



## **SUPPLEMENTAL SECTION**



CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual  
 Sewer and Electric Fund  
 For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Electrical Distribution	\$ 7,466,810	\$ 7,389,044	\$ 7,468,629	\$ 79,585
Wastewater	662,000	671,071	676,372	5,301
Grant Revenue	-	-	1,441,990	1,441,990
Interest Income	1,500	11,000	11,761	761
Reimbursed Expenses	3,000	1,109	2,609	1,500
<b>Total Revenues</b>	<b>8,133,310</b>	<b>8,072,224</b>	<b>9,601,361</b>	<b>1,529,137</b>
<b>EXPENDITURES</b>				
Power Plant	1,655	8,021	7,597	424
Electrical Distribution	5,443,436	5,336,535	4,614,342	722,193
Wastewater	338,282	406,001	329,527	76,474
Bad Debt Expense	50,000	50,000	34,506	15,494
Amortization	2,434	2,655	6,428	(3,773)
Capital Outlay	515,000	683,796	908,153	(224,357)
Debt Service				
Principal Payments	47,748	58,504	59,489	(985)
Interest Payments	143,473	31,430	35,302	(3,872)
<b>Total Expenditures</b>	<b>6,542,028</b>	<b>6,576,942</b>	<b>5,995,344</b>	<b>581,598</b>
Excess Revenues Over (Under) Expenditures	1,591,282	1,495,282	3,606,017	2,110,735
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	384,375	384,375
Loan Proceeds	3,475,000	513,463	517,200	3,737
Bond Proceeds	-	-	(1,210,000)	(1,210,000)
Transfers Out	(2,581,282)	(2,716,346)	(2,941,703)	(225,357)
<b>Total Other Financing Sources (Uses)</b>	<b>893,718</b>	<b>(2,202,883)</b>	<b>(3,250,128)</b>	<b>(1,047,245)</b>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,485,000	(707,601)	355,889	1,063,490
Net Position - Beginning, GAAP Basis	4,884,007	4,884,007	4,884,007	-
Net Position - Ending, Budgetary Basis	\$ 7,369,007	\$ 4,176,406	5,239,896	\$ 1,063,490
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(383,609)	
Principal Payments - The City budgets for principal debt payments			59,489	
Lease Proceeds - The City budgets for lease proceeds			(517,200)	
Capital Outlay - The City budgets for capital outlay			908,153	
Bond Proceeds - The City normally budgets for debt proceeds			1,210,000	
Net Position- Ending, GAAP Basis	\$	<b>6,516,729</b>		

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual  
 Water Fund  
 For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Water Department	\$ 1,769,000	\$ 1,676,427	\$ 1,674,038	\$ (2,389)
Interest Revenue	11,000	19,000	16,513	(2,487)
Reimbursed Expenses	-	2,987	2,988	1
<b>Total Revenues</b>	<b>1,780,000</b>	<b>1,698,414</b>	<b>1,693,539</b>	<b>(4,875)</b>
<b>EXPENDITURES</b>				
Water Department	2,494,859	2,232,082	794,320	1,437,762
Bad Debt Expense	8,000	12,000	8,001	3,999
Amortization	1,400	1,400	1,422	(22)
Capital Outlay	1,649,387	1,224,860	1,158,257	66,603
Debt Service				
Principal Payments	299,414	318,629	369,561	(50,932)
Interest Payments	108,455	45,887	49,300	(3,413)
<b>Total Expenditures</b>	<b>4,561,515</b>	<b>3,834,858</b>	<b>2,380,861</b>	<b>1,453,997</b>
Excess Revenues Over (Under) Expenditures	(2,781,515)	(2,136,444)	(687,322)	1,449,122
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	1,622,087	1,117,227	1,122,873	5,646
Transfers Out	(489,959)	(364,003)	(364,003)	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,132,128</b>	<b>753,224</b>	<b>758,870</b>	<b>5,646</b>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,649,387)	(1,383,220)	71,548	1,454,768
Net Position - Beginning, GAAP Basis	<b>11,960,993</b>	<b>11,960,993</b>	<b>11,960,993</b>	-
Net Position - Ending, Budgetary Basis	\$ <b>10,311,606</b>	\$ <b>10,577,773</b>	\$ <b>12,032,541</b>	\$ <b>1,454,768</b>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(601,940)	
Principal Payments - The City budgets for principal debt payments			369,561	
Capital Outlay - The City budgets for capital outlay			1,158,257	
Loan Proceeds - The City normally budgets for loan proceeds			(1,122,873)	
Capital Contributions from Governmental Activities - The City does not budget for contributions received from its Governmental Activities			186,595	
Gain (Loss) on Disposal of Capital Assets - The City does not budget gains or losses from disposals of capital assets			450	
Net Position - Ending, GAAP Basis	\$	<b>12,022,591</b>		

**CITY OF BRADY, TEXAS**

**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual  
Gas Fund  
For the Year Ended September 30, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Gas Distribution	\$ 1,273,600	\$ 1,446,950	\$ 1,440,251	\$ (6,699)
Interest Revenue	1,725	5,500	5,721	221
Reimbursed Expenses	-	272	272	-
<b>Total Revenues</b>	<b>1,275,325</b>	<b>1,452,722</b>	<b>1,446,244</b>	<b>(6,478)</b>
<b>EXPENDITURES</b>				
Gas Department	1,248,092	1,462,866	759,001	703,865
Bad Debt Expense	7,000	7,000	3,540	3,460
Capital Outlay	610,000	628,466	605,690	22,776
Debt Service				
Principal Payments	48,419	57,307	58,341	(1,034)
Interest Payments	47,255	15,651	17,909	(2,258)
<b>Total Expenditures</b>	<b>1,960,766</b>	<b>2,171,290</b>	<b>1,444,481</b>	<b>726,809</b>
Excess Revenues Over (Under) Expenditures	(685,441)	(718,568)	1,763	720,331
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan Proceeds	610,000	548,133	538,750	(9,383)
Transfers Out	(534,559)	(486,836)	(486,836)	-
<b>Total Other Financing Sources (Uses)</b>	<b>75,441</b>	<b>61,297</b>	<b>51,914</b>	<b>(9,383)</b>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(610,000)	(657,271)	53,677	710,948
<b>Net Position - Beginning, GAAP Basis</b>	<b>2,487,133</b>	<b>2,487,133</b>	<b>2,487,133</b>	<b>-</b>
<b>Net Position - Ending, Budgetary Basis</b>	<b>\$ 1,877,133</b>	<b>\$ 1,829,862</b>	<b>\$ 2,540,810</b>	<b>\$ 710,948</b>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(278,055)	
Principal Payments - The City budgets for principal debt payments			58,341	
Capital Outlay - The City budgets for capital outlay			605,690	
Lease Proceeds - The City budgets for capital lease proceeds			(538,750)	
<b>Net Position - Ending, GAAP Basis</b>	<b>\$ 2,388,036</b>			

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual  
 Solid Waste Fund  
 For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Solid Waste	\$ 814,000	\$ 842,355	\$ 829,045	\$ (13,310)
Interest Revenue	2,500	3,500	3,505	5
Miscellaneous Revenues	-	580	581	1
Reimbursed Expenses	-	1,000	55	(945)
<b>Total Revenues</b>	<b>816,500</b>	<b>847,435</b>	<b>833,186</b>	<b>(14,249)</b>
<b>EXPENDITURES</b>				
Solid Waste	635,221	651,374	618,889	32,485
Bad Debt Expense	5,000	5,551	4,716	835
Debt Service				
Principal Payments	68,051	92,693	96,393	(3,700)
Interest Payments	36,081	12,009	12,666	(657)
<b>Total Expenditures</b>	<b>744,353</b>	<b>761,627</b>	<b>732,664</b>	<b>28,963</b>
Excess Revenues Over (Under) Expenditures	72,147	85,808	100,522	14,714
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(72,147)	(69,308)	(69,308)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(72,147)</b>	<b>(69,308)</b>	<b>(69,308)</b>	<b>-</b>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	16,500	31,214	14,714
Net Position - Beginning, GAAP Basis	<b>500,576</b>	<b>500,576</b>	<b>500,576</b>	<b>-</b>
Net Position - Ending, Budgetary Basis	<b>\$ 500,576</b>	<b>\$ 517,076</b>	<b>\$ 531,790</b>	<b>\$ 14,714</b>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(53,020)	
Principal Payments- The City budgets for principal debt payments			96,393	
Net Position - Ending, GAAP Basis			<b>\$ 575,163</b>	

**CITY OF BRADY, TEXAS**

**Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual  
Utility Support Fund  
For the Year Ended September 30, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Utility Support	\$ 152,130	\$ 146,430	\$ 150,993	\$ 4,563
Interest Revenue	7,000	5,200	5,429	229
Reimbursed Expenses	-	429	512	83
<b>Total Revenues</b>	<b>159,130</b>	<b>152,059</b>	<b>156,934</b>	<b>4,875</b>
<b>EXPENDITURES</b>				
Administration	55,600	82,360	71,166	11,194
Meter Shop	105,412	103,412	95,618	7,794
Billing-Collection	146,501	146,507	135,396	11,111
Bad Debt Expense	5,000	7,040	5,200	1,840
<b>Total Expenditures</b>	<b>312,513</b>	<b>339,319</b>	<b>307,380</b>	<b>31,939</b>
Excess of Revenues Over (Under) Expenditures	(153,383)	(187,260)	(150,446)	36,814
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Contributions from GA	-	-	1,870,074	1,870,074
Transfers In	153,383	187,260	149,381	(37,879)
<b>Total Other Financing Sources (Uses)</b>	<b>153,383</b>	<b>187,260</b>	<b>2,019,455</b>	<b>1,832,195</b>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	1,869,009	1,869,009
Net Position - Beginning, GAAP Basis	989,868	989,868	989,868	-
Net Position - Ending, Budgetary Basis	\$ 989,868	\$ 989,868	2,858,877	\$ 1,869,009
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(11,081)	
Net Position - Ending, GAAP Basis	\$		2,847,796	

## CITY OF BRADY, TEXAS

Notes to the Budgetary Comparison Schedules  
Proprietary Funds  
For the Year Ended September 30, 2013

### **Budget Requirements, Accounting, and Reporting**

The budget requirements for all funds are as follows:

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

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

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

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

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

**CITY OF BRADY, TEXAS**

**Single Audit Compliance Information  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2013**

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U.S. Department of Health and Human Services			
Passed Through the Colorado Valley Council of Governments			
Title III, Part B - Nutrition Services	93.045	N/A	\$ 36,494
Nutrition Services Incentive Program	93.053	N/A	31,940
Total U.S. Department of Health and Human Services			<u>68,434</u>
U.S. Department of Transportation			
Passed Through the Colorado Valley Council of Governments			
Formula Grants for Other Than Urbanized Areas	20.509	N/A	51,001
Total U.S. Department of Transportation			<u>51,001</u>
U.S. Department of Homeland Security			
Passed Through the Texas Department of Public Safety			
Hazard Mitigation Grant (PSB Relocation)	97.039	1709-019	1,399,359
Hazard Mitigation Grant (Emergency Sirens)	97.039	DR-1791-145	5,468
Total U.S. Department of Homeland Security			<u>1,404,827</u>
U.S. Department of Housing and Urban Development			
Passed Through Texas Department of Agriculture			
Community Development Block Grant	14.228	711059	181,136
Total U.S. Department of Agriculture			<u>181,136</u>
U.S. Environmental Protection Agency			
Passed Through the Texas Water Development Board			
Capitalization Grants For Clean Water State Revolving Funds - Loan	66.458	LF1000011	53,125
Capitalization Grants For Clean Water State Revolving Funds - Grant	66.458	L1000019	331,250
Total U.S. Department of Health and Human Services			<u>384,375</u>
Total Federal Awards Expended			\$ <u>2,089,773</u>

## CITY OF BRADY, TEXAS

Single Audit Compliance Information  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2013

### Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Brady and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## CITY OF BRADY, TEXAS

Single Audit Compliance Information  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013

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

<b>Financial Statements</b>	
Type of Auditors’ Report Issued on Financial Statements	Unqualified
Internal Control over Financial Reporting:	
Material Weaknesses	None
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	None
Noncompliance Material to Financial Statements	None
<b>Federal Awards</b>	
Internal Control over Major Programs:	
Material Weaknesses	None
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	None
Type of Auditor’s Report Issued on Compliance for Major Programs	Unqualified
Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a), of OMB Circular A-133	None
Identification of Major Programs:	Hazard Mitigation Grant, CFDA No. 97.039  Capitalization Grants for Clean Water State Revolving Fund, CFDA No. 66.458
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Audit Statement	Yes

### SECTION II – FINANCIAL STATEMENT FINDINGS

There were no Financial Statement findings.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal Award findings.

**CITY OF BRADY, TEXAS**

**Single Audit Compliance Information  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2013**

No prior year findings.

2702 N. Loop 1604 East, Ste. 202

San Antonio, Texas 78232

Phone (210) 979-0055

Fax (210) 979-0058

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

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

We have audited, in accordance with 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 15, 2014.

Our report includes a reference to other auditors who audited the financial statements of the Brady Economic Development Corporation, as described in our report on the City of Brady, Texas' financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting of compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

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

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



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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

San Antonio, Texas  
April 15, 2014

A handwritten signature in blue ink that reads "Dennis Butler". The signature is fluid and cursive, with "Dennis" on the top line and "Butler" on the bottom line.



2702 N. Loop 1604 East, Ste. 202

San Antonio, Texas 78232

Phone (210) 979-0055

Fax (210) 979-0058

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Brady, Texas' (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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



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

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

**Report on Internal Control Over Compliance**

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

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

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

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

San Antonio, Texas  
April 15, 2014

