

CITY OF BRADY, TEXAS

Financial and Compliance Report

For the Year Ended September 30, 2014

CITY OF BRADY, TEXAS

Financial and Compliance Report For the Year Ended September 30, 2014

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INTRODUCTORY SECTION

CITY OF BRADY, TEXAS

City Officials

Anthony Groves Mayor
Latricia Doyal Mayor Pro-Tem
Kathy Gloria..... Council Member
Marilyn Gendusa..... Council Member
Linda Lott..... Council Member
Jack Turk..... Council Member
Kim Lenoir..... City Manager
Lisa Remini Director of Finance

FINANCIAL SECTION

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brady, Texas (the City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brady, Texas, as of September 30, 2014, 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.

Change in Accounting Principle

As discussed in Note M to the financial statements, in 2014 the City adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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, 66 through 69, and 70, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The proprietary fund 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2015, 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
March 16, 2015



CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2014

As management of the City of Brady, Texas (the City) and Brady Economic Development Corporation (EDC), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City and EDC for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with the City and EDC's audited financial statements, which follow this section.

Financial Highlights

- ❑ The City's assets exceeded liabilities at September 30, 2014 by \$34,574,927. Of this amount \$9,099,960 or 26% of net position, is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- ❑ The City's Total Net Position increased by \$1,239,317 during the year.
- ❑ The total cost of all the City's programs was \$16,237,561, representing a slight decline from last year by \$422,872 or 2.6%.
- ❑ During the year, the City had operating expenses of \$7,305,526 for governmental activities, which was \$3,055,718 less than the \$4,205,808 generated in program and general revenues. Once budgeted transfers from business-type activities of \$2,631,524 are recognized, governmental net position reflects a decrease of 5% in the amount of \$424,194.
- ❑ The City's business-type activities, after transfers to the general fund, reflect an increase in business-type net assets by \$1,872,534.
- ❑ The City reduced its' total long-term debt obligations by \$438,702 or 4.5%.
- ❑ The EDC's net position increased during the year ending September 30, 2014 from a beginning balance of \$1,126,928 to and ending balance of \$1,276,395.

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 four 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, 2014

Reporting the City as a Whole

The government-wide financial statements are designed to provide readers with a broad overview of the City and EDC's finances, in a manner similar to a private-sector business. The government-wide financial statements can be found on pages 18 through 20 of these financial statements.

- ❑ 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 three 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.
- ❑ Component unit activities – The EDC's basic services are reported here. Sales tax revenue, rental income and interest income finances these activities.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2014

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 2013, as its net position increased by \$1,239,317 or 3.6%. 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 3% 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 \$1,468,958 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 \$34,574,927 as of September 30, 2014. The City's total unrestricted net position of \$9,099,960, the amount that can be used to finance day-to-day operations, increased by 21.8% compared to last year's balance.

The following reflects a comparative condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2014	2013	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 2,095,982	\$ 1,918,888	\$ 11,573,574	\$ 9,812,149	\$ 13,669,556	\$ 11,731,037	\$ 974,815	\$ 742,399
Capital and Other Long-term Assets	8,662,056	9,644,907	23,935,597	23,741,968	32,597,653	33,386,875	443,139	547,766
Total Assets	10,758,038	11,563,795	35,509,171	33,554,117	46,267,209	45,117,912	1,417,954	1,290,165
Current Liabilities	737,691	760,466	1,625,709	1,235,556	2,363,400	1,996,022	24,576	162,033
Non-Current Liabilities	1,563,012	1,818,034	7,765,870	7,968,246	9,328,882	9,786,280	116,983	1,204
Total Liabilities	2,300,703	2,578,500	9,391,579	9,203,802	11,692,282	11,782,302	141,559	163,237
Net Position:								
Invested in Capital Assets, Net of Related Debt	6,746,786	7,331,971	15,100,029	14,651,054	21,846,815	21,983,025	347,682	230,646
Restricted	241,591	156,093	3,386,561	4,082,805	3,628,152	4,238,898	-	-
Unrestricted	1,468,958	1,497,231	7,631,002	5,616,456	9,099,960	7,113,687	928,713	896,282
TOTAL NET POSITION	\$ 8,457,335	\$ 8,985,295	\$ 26,117,592	\$ 24,350,315	\$ 34,574,927	\$ 33,335,610	\$ 1,276,395	\$ 1,126,928

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2014

Statement of Activities

The following reflects a comparative statement of changes in net position of the primary government:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues								
Program Revenues:								
Charges for Services	\$ 1,482,589	\$ 2,270,025	\$ 13,068,087	\$ 12,245,764	\$ 14,550,676	\$ 14,515,789	\$ 56,201	\$ 53,201
Grants and Contributions	587,444	2,022,379	350,000	1,441,990	937,444	3,464,369	-	-
General Revenues:								
Property Taxes	670,463	628,444	-	-	670,463	628,444	-	-
Sales Taxes	1,186,529	1,046,577	-	-	1,186,529	1,046,577	228,188	187,630
Other Taxes	271,621	230,988	-	-	271,621	230,988	-	-
Investment Earnings	42,083	56,688	17,006	42,929	59,089	99,617	9,022	8,630
Other Revenue	2,629	5,478	-	580	2,629	6,058	-	2,789
Gain(Loss) on Disposal of Assets	700	-	-	-	700	-	-	72
Donated Assets	6,750	(78,777)	-	450	6,750	(78,327)	-	-
TOTAL REVENUES	4,250,808	6,181,802	13,435,093	13,731,713	17,685,901	19,913,515	293,411	252,322
Expenses								
Utility Enterprises	-	-	8,931,035	8,932,551	8,931,035	8,932,551	-	-
General Government	969,032	913,468	-	-	969,032	913,468	-	-
Public Safety	2,813,560	2,765,698	-	-	2,813,560	2,765,698	-	-
Streets	670,999	584,110	-	-	670,999	584,110	-	-
Recreation and Leisure	1,953,189	2,658,464	-	-	1,953,189	2,658,464	-	-
Community Development	845,592	737,150	-	-	845,592	737,150	-	-
Interest and Amortization	54,154	68,992	-	-	54,154	68,992	-	-
Component Unit	-	-	-	-	-	-	143,944	148,758
TOTAL EXPENSES	7,306,526	7,727,882	8,931,035	8,932,551	16,237,561	16,660,433	143,944	148,758
Excess (Deficiency) before Transfers	(3,055,718)	(1,546,080)	4,504,058	4,799,162	1,448,340	3,253,082	149,467	103,564
Transfers	2,631,524	1,271,424	(2,631,524)	(1,271,424)	-	-	-	-
Increase (Decrease) in Net Position	(424,194)	(274,656)	1,872,534	3,527,738	1,448,340	3,253,082	149,467	103,564
Net Position - Beginning	8,985,295	9,259,951	24,350,315	20,822,577	33,335,610	30,082,528	1,126,928	1,023,364
Prior Period Adjustments	(103,766)	-	(105,257)	-	(209,023)	-	-	-
Net Position - Beginning as Restated	8,881,529	9,259,951	24,245,058	20,822,577	33,126,587	30,082,528	1,126,928	1,023,364
Net Position - Ending	\$ <u>8,457,335</u>	\$ <u>8,985,295</u>	\$ <u>26,117,592</u>	\$ <u>24,350,315</u>	\$ <u>34,574,927</u>	\$ <u>33,335,610</u>	\$ <u>1,276,395</u>	\$ <u>1,126,928</u>

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2014

Total Primary Government Activities

Overall, total primary government revenues for fiscal year 2014 decreased by \$2,227,614 or 12.6% compared to fiscal year 2013 due primarily to a decrease in grants and contributions in the amount of \$1,434,935 for governmental activities, \$1,091,990 for business-type activities, and decline in charges for services revenues in the amount of \$787,436 for governmental activities.

Overall, total primary government expenditures decreased by \$422,872 or 2.6%; primarily as the result of reduced government-type activities costs in the amount of \$421,356.

Governmental Activities

The result of fiscal year 2014 governmental activity records a decrease of \$424,194 in net position, to \$8,457,335. Of the total governmental activities' net position, \$6,746,786 is invested in capital assets, net of related debt, and \$1,468,958 is unrestricted, that is, having no legal commitment.

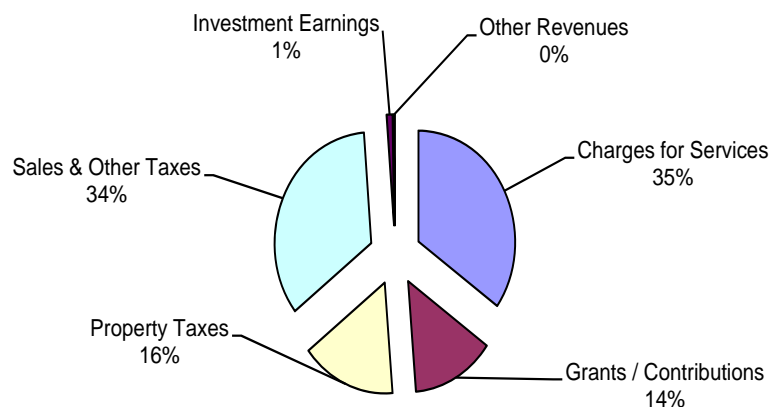
Governmental activities reflect a 53% decrease in charges for services revenue due largely to a decrease in military fuel sales in the amount of \$707,580 compared to last year.

The City continues to secure grant awards, and was given \$587,444 to fund specific capital infrastructure improvements during fiscal year 2014. Sales tax revenues continue an upward trend, reflecting a modest 11% increase, or \$139,952 more compared to 2013 collections.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2014

Revenues – Governmental Activities Fiscal Year Ending September 30, 2014



For fiscal year 2014, the majority of governmental revenues were derived from four revenue sources: charges for services, sales and other taxes, property taxes, and grants/contributions. Collectively, they provided for 99% of the governmental program revenues mix.

Charges for services are fee collections set by the City Council for specific activities by the end-user. Airport services make up \$430,880 or 29% of the \$1,482,589 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 \$524,793 or 35% of the total dollars charged for services this year. The lake department generated rental fees and donations in the amount of \$144,204 or 10% of the total charged for services this year. Other charges for services include golf course fees, municipal court fines, right of way fees, cemetery lot sales and fees, and collections for senior citizen meals. The combined revenues from the aforementioned represent the remaining 26% of total service charge revenues.

The City received \$1,186,529 in sales tax revenues, which is a 12% increase from last year's total collections. Included in other taxes are hotel occupancy tax collections of \$230,740 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.

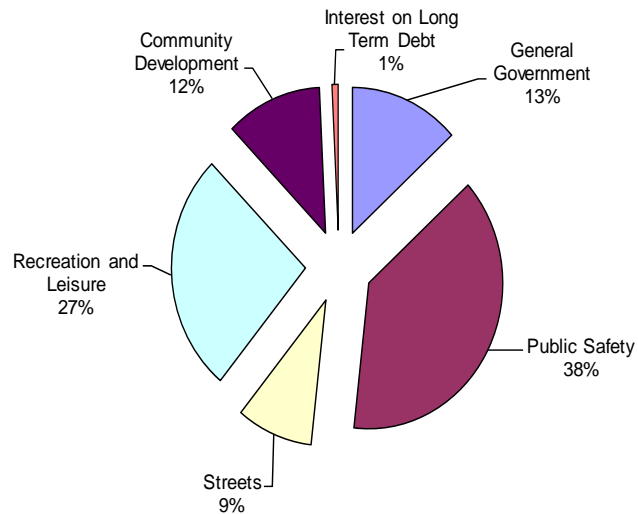
Grant/contribution revenue decreased by \$1,434,935 from last year due to the fact the City obtained a clean water grant from the Texas Water Development Board during the prior year.

The City maintains a low property tax rate at \$0.3128 per \$100 of 2013 values; and collected \$670,463 in property tax revenue.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2014

Expenses – Governmental Activities Fiscal Year Ending September 30, 2014



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, \$2,813,560 and \$1,953,189, respectively, of the \$7,306,526 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 35% of expenditures is closely divided among general and administrative costs totaling \$969,032, community development totaling \$845,592, street maintenance totaling \$670,999, and interest and amortization totaling \$54,154.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2014

Business-Type Activities

The business-type activities increased the City's net position by \$1,872,534.

Of the total business-type activities' net position, \$15,100,029 is invested in capital assets, net of related debt, and \$7,321,002 is unrestricted, that is, having no legal commitment. In addition, the City maintains fully funded restricted reserve levels of \$117,872 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 decreased by .02% to \$8,931,035. As shown in the statement of activities, the amounts charged to users of the utility services totaled \$13,068,087. Due to varying weather conditions, consumption sales increased from last year, reflecting a 6% increase or \$822,323 in total services charged for the business-type activities. Additional revenue sources included investment earnings of \$17,006. In total, excess revenues over expenditures for the year was \$4,504,058.

The City historically transfers excess revenues from the business-type activities to the governmental funds as needed to cover the cost of governmental services. Transfers in the amount of \$2,631,524 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, 2014

Reporting the City's Most Significant Funds

Analysis of the City's major funds begins on page 21. The fund financial statements, found on 21 through 32 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, 2014

FUND FINANCIAL STATEMENT ANALYSIS

Governmental Type Funds

The City reports a combined governmental fund balance of \$1,821,983, reflecting an increase of \$189,775 in comparison with the previous year. Unassigned fund balance equals \$1,539,493 and is available for spending at the government's discretion. The remainder of fund balance is restricted or nonspendable to indicate that it is not available for new spending because it has already been committed to provide payment for long-term debt obligations and community projects.

As stated earlier, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The Government Finance Officers Association recommends, at a minimum, that governmental unassigned fund balances be maintained at no less than two months of regular general fund operational revenues or expenditures. The City's current general unassigned fund balance is considered 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 recorded a positive net change in assets for fiscal year 2014 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 UNIT

Component units are legally separate entities from the City, but were organized to benefit the City. There was one component unit at September 30, 2014, 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, 2014

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, 2014 is \$31,144,875, net of accumulated depreciation. The majority, 85%, of the City's capital assets is invested in buildings, improvements, and infrastructure.

Governmental activities report the addition of \$80,302 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 additions of \$375,397 in capital assets. Various infrastructure improvements were made in the electric, water, and solid waste departments, a generator, two forklifts and a street sweeper were purchased.

Principal projects for governmental activities include purchasing enhancing city infrastructure. Principal projects for the business-type activities are 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, 2014:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2014	2013	2014	2013	2014	2013	2014	2013
Land	\$ 735,484	\$ 728,734	\$ 84,829	\$ 84,829	\$ 820,313	\$ 813,563	\$ 9,673	\$ 9,673
Buildings	7,556,139	7,530,836	15,541,493	13,125,683	23,097,632	20,656,519	452,953	452,953
Equipment	1,989,365	1,982,617	2,803,877	2,578,412	4,793,242	4,561,029	-	-
Vehicles	1,041,569	1,042,687	552,245	524,061	1,593,814	1,566,748	-	-
Infrastructure	9,204,573	8,947,994	15,847,412	14,194,818	25,051,985	23,142,812	-	-
Construction in Progress	86,814	255,040	895,866	5,119,742	982,680	5,374,782	-	-
Less:								
Accumulated Depreciation	(12,171,190)	(11,102,860)	(13,023,601)	(13,207,977)	(25,194,791)	(24,310,837)	(92,002)	(71,531)
Total	\$ 8,442,754	\$ 9,385,048	\$ 22,702,121	\$ 22,419,568	\$ 31,144,875	\$ 31,804,616	\$ 370,624	\$ 391,095

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2014

Debt Administration

At September 30, 2014, the City's total bonds, notes and capital leases outstanding reflect a decrease of \$438,702 compared to prior year. In reviewing Business-type Activities, three notes in the amount of \$566,172 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, 2014:

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit	
	2014	2013	2014	2013	2014	2013	2014	2013
General Obligation Refunding Bonds	\$ 1,600,700	\$ 1,809,600	\$ 29,300	\$ 30,400	\$ 1,630,000	\$ 1,840,000	\$ -	\$ -
Certificates of Obligations	-	-	5,325,000	5,275,000	5,325,000	5,275,000	-	-
Notes to Financial Institutions	-	-	2,023,574	2,012,899	2,023,574	2,012,899	138,721	160,449
Equipment Lease Notes	95,268	243,477	224,217	365,385	319,485	608,862	-	-
Total Bonds, Notes, and Capital Leases	<u>\$ 1,695,968</u>	<u>\$ 2,053,077</u>	<u>\$ 7,602,091</u>	<u>\$ 7,683,684</u>	<u>\$ 9,298,059</u>	<u>\$ 9,736,761</u>	<u>\$ 138,721</u>	<u>\$ 160,449</u>

Total compensated absences for Governmental Funds are \$99,151 and \$24,504 for Business activities.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2014

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 \$1,239, and total expenditures were under budget by \$250,378, resulting in a net variance to the final budget of \$249,139 before transfers.

The original revenue projections for the general fund budget were decreased at the mid-year budget review by \$99,863. Due to lower than expected expenditure costs, budgeted transfers from the utility funds to support the general fund operations were less than expected by \$162,021.

The original expenditure projections for the general fund budget were also adjusted mid-year by reducing expenditures by \$618,329. The budget was primarily adjusted to reflect reduction in aviation fuel purchases, and the City's continued commitment to the Willie Washington park and lake improvements. Overall, year-end actual performance was less than the final budget numbers, as mid-year cost projections did not fully 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 2015. Council adopted utility rate increases for the water and wastewater systems, along with a small rate increase for the trash services. Cost efficiencies to support the 2015 Budget were prompted by limiting capital expenditure and payroll benefits. The Council adopted a balance budget to ensure a stable fund balance position is maintained.

The EDC adopted a budget that was approved by the City Council for fiscal year 2015 that prioritizes the development of a design plan to improve the Civic Center building to comply with the vote by the citizens.

Request for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF BRADY, TEXAS

Statement of Net Position As of September 30, 2014

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-Type Activities	TOTAL	Component Unit
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,798,471	\$ 10,712,300	\$ 12,510,771	\$ 915,721
Receivables, Net of Allowances	256,612	702,019	958,631	59,094
Inventory	40,899	159,255	200,154	-
Total Current Assets	2,095,982	11,573,574	13,669,556	974,815
Noncurrent Assets				
Restricted Cash and Cash Equivalents	219,302	1,232,048	1,451,350	-
Other Receivables, Net	-	-	-	72,515
Bond Insurance Premium, Net of Amortization	-	1,429	1,429	-
Land	735,484	84,829	820,313	9,673
Construction in Progress	86,814	895,866	982,680	-
Property and Equipment, Net of Depreciation	7,620,456	21,721,425	29,341,881	360,951
Total Noncurrent Assets	8,662,056	23,935,597	32,597,653	443,139
Total Assets	10,758,038	35,509,171	46,267,209	1,417,954
LIABILITIES				
Current Liabilities				
Accounts Payable	457,160	762,893	1,220,053	884
Accrued Expenses	2,207	294	2,501	-
Interest Payable	9,177	18,807	27,984	750
Other Payables	-	30,362	30,362	-
Bonds, Notes, and Leases Payable	269,147	813,353	1,082,500	22,942
Total Current Liabilities	737,691	1,625,709	2,363,400	24,576
Noncurrent Liabilities				
Accrued Compensated Absences	99,151	24,504	123,655	-
Bond Premium, Net of Amortization	37,040	773	37,813	-
Landfill Closure	-	304,161	304,161	-
Customer Deposits	-	647,694	647,694	-
Deferred Revenues	-	-	-	1,204
Bonds, Notes, and Leases Payable	1,426,821	6,788,738	8,215,559	115,779
Total Noncurrent Liabilities	1,563,012	7,765,870	9,328,882	116,983
Total Liabilities	2,300,703	9,391,579	11,692,282	141,559
NET POSITION				
Invested in Capital Assets, Net of Related Debt	6,746,786	15,100,029	21,846,815	347,682
Restricted	241,591	3,386,561	3,628,152	-
Unrestricted	1,468,958	7,631,002	9,099,960	928,713
Total Net Position	\$ 8,457,335	\$ 26,117,592	\$ 34,574,927	\$ 1,276,395

CITY OF BRADY, TEXAS

Statement of Activities As of September 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Administration	\$ 582,103	\$ 40,161	\$ -	\$ -
Airport	1,034,548	430,880	-	11,373
Public Property Maintenance	349,470	40,211	10,000	-
Mayor and Council	11,168	567	-	-
Golf Course	268,202	104,330	20,024	-
Swimming Pool	70,913	24,290	-	-
Fire Department	782,590	6,874	80,000	-
Police Department	763,349	6,395	10,000	-
Emergency Operations	25,732	-	55,000	-
Communications	238,243	-	-	-
Community Services Administration	60,808	30,000	-	-
Street Department	670,999	2,049	-	-
Civic Center	16,272	16,600	-	-
Municipal Court	46,298	45,032	-	-
Community Services	44,680	-	-	-
Repair Shop	43,192	-	-	-
Animal Control	54,946	779	-	-
EMS	756,034	524,793	184,910	-
Lake Department	184,192	144,204	-	-
Financial Administration	225,322	2,786	-	-
Building Inspection and Permits	145,668	31,403	-	-
G. Rollie White Complex	29,592	440	-	-
Purchasing	46,439	-	-	-
Special Revenue Fund	800,912	30,795	216,137	-
Gain/Loss on Disposal of Assets	700	-	-	-
Interest on Long-Term Debt	54,154	-	-	-
Total Governmental Activities	7,306,526	1,482,589	576,071	11,373
Business-Type Activities				
Sewer	455,469	670,984	-	-
Electric	5,092,490	7,933,584	-	-
Water	1,171,992	1,633,776	-	350,000
Gas	1,044,664	1,736,963	-	-
Solid Waste	793,723	911,893	-	-
Utility Support	372,697	180,887	-	-
Total Business-Type Activities	8,931,035	13,068,087	-	350,000
Total Primary Government	\$ 16,237,561	\$ 14,550,676	\$ 576,071	\$ 361,373
Total Component Unit	\$ 143,944	\$ 56,201	\$ -	\$ -

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

Donated Assets

Transfers

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustments

Net Position - Beginning as Restated

Net Position - Ending

CITY OF BRADY, TEXAS

Statement of Activities (Continued) As of September 30, 2014

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Total Component Unit
\$ (541,942)	\$ -	\$ (541,942)	\$ -
(592,295)	-	(592,295)	-
(299,259)	-	(299,259)	-
(10,601)	-	(10,601)	-
(143,848)	-	(143,848)	-
(46,623)	-	(46,623)	-
(695,716)	-	(695,716)	-
(746,954)	-	(746,954)	-
29,268	-	29,268	-
(238,243)	-	(238,243)	-
(30,808)	-	(30,808)	-
(668,950)	-	(668,950)	-
328	-	328	-
(1,266)	-	(1,266)	-
(44,680)	-	(44,680)	-
(43,192)	-	(43,192)	-
(54,167)	-	(54,167)	-
(46,331)	-	(46,331)	-
(39,988)	-	(39,988)	-
(222,536)	-	(222,536)	-
(114,265)	-	(114,265)	-
(29,152)	-	(29,152)	-
(46,439)	-	(46,439)	-
(553,980)	-	(553,980)	-
(700)	-	(700)	-
(54,154)	-	(54,154)	-
(5,236,493)	-	(5,236,493)	-
-	215,515	215,515	-
-	2,841,094	2,841,094	-
-	811,784	811,784	-
-	692,299	692,299	-
-	118,170	118,170	-
-	(191,810)	(191,810)	-
-	4,487,052	4,487,052	-
\$ (5,236,493)	\$ 4,487,052	\$ (749,441)	\$ -
\$ -	\$ -	\$ -	\$ (87,743)
670,463	-	670,463	-
1,186,529	-	1,186,529	228,188
40,004	-	40,004	-
877	-	877	-
230,740	-	230,740	-
42,083	17,006	59,089	9,022
2,629	-	2,629	-
700	-	700	-
6,750	-	6,750	-
2,631,524	(2,631,524)	-	-
4,812,299	(2,614,518)	2,197,781	237,210
(424,194)	1,872,534	1,448,340	149,467
8,985,295	24,350,315	33,335,610	1,126,928
(103,766)	(105,257)	(209,023)	-
8,881,529	24,245,058	33,126,587	1,126,928
\$ 8,457,335	\$ 26,117,592	\$ 34,574,927	\$ 1,276,395

CITY OF BRADY, TEXAS

Balance Sheet Governmental Funds As of September 30, 2014

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,841,272	\$ 176,501	\$ 2,017,773
Receivables, Net of Allowances:			
Property Taxes	45,553	-	45,553
Accounts	73,304	137,755	211,059
Inventory	40,899	-	40,899
Total Assets	<u>\$ 2,001,028</u>	<u>\$ 314,256</u>	<u>\$ 2,315,284</u>
LIABILITIES			
Accounts Payable	\$ 341,694	\$ 115,466	\$ 457,160
Accrued Expenses	2,207	-	2,207
Total Liabilities	<u>343,901</u>	<u>115,466</u>	<u>459,367</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>33,934</u>	<u>-</u>	<u>33,934</u>
FUND BALANCES			
Fund Balance:			
Nonspendable	40,899	-	40,899
Restricted	42,801	198,790	241,591
Unassigned	1,539,493	-	1,539,493
Total Fund Balance	<u>1,623,193</u>	<u>198,790</u>	<u>1,821,983</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,001,028</u>	<u>\$ 314,256</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 \$12,171,190 8,442,754

Some of the City's revenues will be collected after year-end but are not available soon
enough to pay for the current period's expenditures and therefore are not reported
in the funds 33,934

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

 Notes, Bonds, and Capital Leases (1,695,968)

 Bond Premium, Net of Amortization (37,040)

 Interest Payable (9,177)

 Accrued Compensated Absences (99,151)

Net Position of Governmental Activities \$ 8,457,335

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended September 30, 2014

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Property Tax	\$ 680,964	\$ -	\$ 680,964
Sales Tax	954,056	232,473	1,186,529
Franchise Tax	40,004	-	40,004
Occupancy Tax	-	230,741	230,741
Mixed Beverage Tax	877	-	877
Interest Income	42,083	-	42,083
Miscellaneous Revenue	2,629	-	2,629
Reimbursed Expenses	18,413	33	18,446
Administrative	37,147	-	37,147
Airport	430,560	-	430,560
Public Property Maintenance	39,611	-	39,611
Golf Course	104,300	-	104,300
Swimming Pool	24,290	-	24,290
Fire Department	86,874	-	86,874
Police Department	11,802	-	11,802
Emergency Operations	55,000	-	55,000
Community Services Administration	30,000	-	30,000
Street Department	34	-	34
Civic Center	16,600	-	16,600
Pass-Through Services	-	4,559	4,559
Senior Citizen Program	-	30,762	30,762
Municipal Court	45,032	-	45,032
Animal Control	779	-	779
City/County EMS	705,217	-	705,217
Lake Department	144,204	-	144,204
G.R. White Complex	440	-	440
Community Development	-	28,175	28,175
Building Inspection and Permits	31,401	-	31,401
Donations	30,024	2,523	32,547
Grant Revenues	11,373	180,880	192,253
Total Revenues	\$ <u>3,543,714</u>	\$ <u>710,146</u>	\$ <u>4,253,860</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended September 30, 2014

	General Fund	Special Revenue Fund	Total Governmental Funds
EXPENDITURES			
Current:			
Administration	\$ 551,211	\$ -	\$ 551,211
Airport	561,917	-	561,917
Public Property Maintenance	237,025	-	237,025
Mayor and Council	11,168	-	11,168
Golf Course	235,795	-	235,795
Swimming Pool	70,913	-	70,913
Fire Department	764,873	-	764,873
Police Department	695,737	-	695,737
Emergency Operations	15,112	-	15,112
Communications	235,902	-	235,902
Community Services Administration	59,274	-	59,274
Street Department	414,425	-	414,425
Civic Center	15,726	-	15,726
Pass-Through Services	-	482,271	482,271
Senior Citizens Program	-	306,497	306,497
Municipal Court	45,072	-	45,072
Community Services	44,680	-	44,680
Repair Shop	43,104	-	43,104
Animal Control	51,017	-	51,017
City/County EMS	673,834	-	673,834
Lake Department	156,068	-	156,068
G.R. White Complex	22,856	-	22,856
Purchasing	46,171	-	46,171
Financial Administration	226,397	-	226,397
Community Development	-	13,442	13,442
Building Inspection and Permits	144,913	-	144,913
Capital Outlay	154,605	14,050	168,655
Debt Service:			
Principal	357,109	-	357,109
Interest	51,895	-	51,895
Total Expenditures	<u>5,886,799</u>	<u>816,260</u>	<u>6,703,059</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,343,085)	(106,114)	(2,449,199)
Other Financing Sources (Uses)			
Donated Assets	6,750	-	6,750
Sale of Fixed Assets	700	-	700
Transfers In	2,468,632	290,044	2,758,676
Transfers Out	-	(127,152)	(127,152)
Total Other Financing Sources (Uses)	<u>2,476,082</u>	<u>162,892</u>	<u>2,638,974</u>
Change in Fund Balances	132,997	56,778	189,775
Total Net Position - Beginning of Year	1,490,196	142,012	1,632,208
Total Fund Balances - End of Year	<u>\$ 1,623,193</u>	<u>\$ 198,790</u>	<u>\$ 1,821,983</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued) Governmental Funds For the Year Ended September 30, 2014

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	\$ 189,775
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	168,655
Depreciation Expense	(1,110,249)
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	(37,040)
Bond and Lease Principal Payments	357,109
Deferred Interest on Refunded Bond	6,054
Amortization of Bond Insurance Premium	(2,152)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property Tax Revenue	10,501
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	9,177
Accrued Compensated Absences	(16,024)
Change in Net Position of Governmental Activities	\$ <u>(424,194)</u>

CITY OF BRADY, TEXAS

Statement of Net Position Proprietary Funds As of September 30, 2014

	Sewer and Electric	Water Department	Gas Department
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 6,200,844	\$ 2,445,777	\$ 1,278,286
Receivables:			
Accounts, Net	501,612	91,351	37,986
Interest	-	-	-
Inventory	-	-	-
Total Current Assets	<u>6,702,456</u>	<u>2,537,128</u>	<u>1,316,272</u>
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents	-	323,220	-
Bond Insurance Premium, Net of Amortization	1,429	-	-
Capital Assets:			
Land	12,397	4,532	500
Construction in Progress	444,899	450,967	-
Property & Equipment	8,485,441	18,835,138	3,052,256
Accumulated Depreciation	<u>(5,816,541)</u>	<u>(4,437,459)</u>	<u>(1,328,071)</u>
Total Noncurrent Assets	<u>3,127,625</u>	<u>15,176,398</u>	<u>1,724,685</u>
Total Assets	<u>9,830,081</u>	<u>17,713,526</u>	<u>3,040,957</u>
LIABILITIES			
Current			
Accounts Payable	481,301	192,021	29,197
Accrued Expenses	-	-	294
Interest Payable	4,677	10,494	3,196
Other Payables	-	-	-
Bonds, Notes and Leases Payable	<u>189,619</u>	<u>446,866</u>	<u>58,629</u>
Total Current Liabilities	<u>675,597</u>	<u>649,381</u>	<u>91,316</u>
Noncurrent			
Accrued Compensated Absences	6,020	4,621	2,829
Bond Premium, Net of Amortization	-	773	-
Landfill Closure	-	-	-
Utility Deposits	-	-	-
Bonds, Notes and Leases Payable	<u>1,505,548</u>	<u>4,644,369</u>	<u>415,825</u>
Total Noncurrent Liabilities	<u>1,511,568</u>	<u>4,649,763</u>	<u>418,654</u>
Total Liabilities	<u>2,187,165</u>	<u>5,299,144</u>	<u>509,970</u>
NET POSITION			
Net Position, Invested in Capital Assets, Net of Related Debt	1,431,029	9,761,943	1,250,231
Restricted Net Position	2,254,023	778,844	-
Unrestricted Net Assets	<u>3,957,864</u>	<u>1,873,595</u>	<u>1,280,756</u>
Total Net Position	<u>\$ 7,642,916</u>	<u>\$ 12,414,382</u>	<u>\$ 2,530,987</u>

CITY OF BRADY, TEXAS

Statement of Net Position (Continued)
 Proprietary Funds
 As of September 30, 2014

Solid Waste	Utility Support	Totals
\$ 553,535	\$ 233,858	\$ 10,712,300
48,862	22,106	701,917
-	102	102
-	159,255	159,255
<u>602,397</u>	<u>415,321</u>	<u>11,573,574</u>
261,134	647,694	1,232,048
-	-	1,429
67,400	-	84,829
-	-	895,866
1,510,221	2,861,974	34,745,030
(1,174,040)	(267,494)	(13,023,605)
<u>664,715</u>	<u>3,242,174</u>	<u>23,935,597</u>
<u>1,267,112</u>	<u>3,657,495</u>	<u>35,509,171</u>
26,964	33,410	762,893
-	-	294
440	-	18,807
-	30,362	30,362
113,281	4,958	813,353
<u>140,685</u>	<u>68,730</u>	<u>1,625,709</u>
7,531	3,503	24,504
-	-	773
304,161	-	304,161
-	647,694	647,694
205,930	17,066	6,788,738
<u>517,622</u>	<u>668,263</u>	<u>7,765,870</u>
<u>658,307</u>	<u>736,993</u>	<u>9,391,579</u>
84,370	2,572,456	15,100,029
353,694	-	3,386,561
170,741	348,046	7,631,002
<u>\$ 608,805</u>	<u>\$ 2,920,502</u>	<u>\$ 26,117,592</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 As of September 30, 2014

	Sewer and Electric	Water Department	Gas Department
OPERATING REVENUES			
Charges for Services:			
Electrical Distribution	\$ 7,921,285	\$ -	\$ -
Wastewater	670,984	-	-
Water Department	-	1,630,805	-
Gas Department	-	-	1,734,336
Solid Waste	-	-	-
Street Sanitation	-	-	-
Utility Support	-	-	-
Grant Revenue	-	350,000	-
Reimbursed Expenses	12,299	2,971	2,627
Total Operating Revenues	<u>8,604,568</u>	<u>1,983,776</u>	<u>1,736,963</u>
OPERATING EXPENSES			
Sewer and Electric Department			
Power Plant	7,383	-	-
Electrical Distribution	4,984,257	-	-
Wastewater	364,387	-	-
Water Department			
Public Works Administration	-	47,752	-
Water	-	698,146	-
Gas Department	-	-	979,651
Solid Waste Department			
Solid Waste	-	-	-
Street Sanitation	-	-	-
Utility Support:			
Administration	-	-	-
Meter Shop	-	-	-
Billing-Collection	-	-	-
Bad Debt Expense	28,150	6,270	4,360
Depreciation	127,253	366,956	43,346
Total Operating Expenses	<u>5,511,430</u>	<u>1,119,124</u>	<u>1,027,357</u>
Operating Income (Loss)	3,093,138	864,652	709,606
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	3,905	6,575	995
Interest Expense	(36,529)	(52,868)	(17,307)
Total Non-Operating Revenues (Expenses)	<u>(32,624)</u>	<u>(46,293)</u>	<u>(16,312)</u>
Income (Loss) Before Transfers	3,060,514	818,359	693,294
Transfers In	53,182	44,407	15,000
Transfers Out	<u>(1,934,846)</u>	<u>(452,045)</u>	<u>(565,343)</u>
Change in Net Position	1,178,850	410,721	142,951
Total Net Position - Beginning	6,516,729	12,022,591	2,388,036
Prior Period Adjustment	<u>(52,663)</u>	<u>(18,930)</u>	<u>-</u>
Restated Beginning	<u>6,464,066</u>	<u>12,003,661</u>	<u>2,388,036</u>
Total Net Position - Ending	<u>\$ 7,642,916</u>	<u>\$ 12,414,382</u>	<u>\$ 2,530,987</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenses, and Changes in Net Position (Continued)
 Proprietary Funds
 As of September 30, 2014

<u>Solid Waste</u>	<u>Utility Support</u>	<u>Totals</u>
\$ -	\$ -	\$ 7,921,285
-	-	670,984
-	-	1,630,805
-	-	1,734,336
830,039	-	830,039
76,526	-	76,526
-	171,887	171,887
-	-	350,000
5,328	9,000	32,225
<u>911,893</u>	<u>180,887</u>	<u>13,418,087</u>
-	-	7,383
-	-	4,984,257
-	-	364,387
-	-	47,752
-	-	698,146
-	-	979,651
671,169	-	671,169
14,026	-	14,026
-	111,406	111,406
-	50,783	50,783
-	183,561	183,561
3,050	5,005	46,835
96,591	21,093	655,239
<u>784,836</u>	<u>371,848</u>	<u>8,814,595</u>
127,057	(190,961)	4,603,492
2,262	3,269	17,006
(8,887)	(849)	(116,440)
<u>(6,625)</u>	<u>2,420</u>	<u>(99,434)</u>
120,432	(188,541)	4,504,058
	261,247	373,836
<u>(53,126)</u>	<u>-</u>	<u>(3,005,360)</u>
67,306	72,706	1,872,534
575,163	2,847,796	24,350,315
<u>(33,664)</u>	<u>-</u>	<u>(105,257)</u>
<u>541,499</u>	<u>2,847,796</u>	<u>24,245,058</u>
\$ <u>608,805</u>	\$ <u>2,920,502</u>	\$ <u>26,117,592</u>

CITY OF BRADY, TEXAS

Statement of Cash Flows Proprietary Funds For the Year Ended September 30, 2014

	Sewer and Electric	Water	Gas
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 8,516,685	\$ 1,643,121	\$ 1,749,135
Payments to Suppliers	(4,915,363)	(419,647)	(862,855)
Payments to Employees for Services	(279,468)	(183,420)	(80,964)
Payments on Behalf of Employees for Benefits	(66,361)	(33,573)	(27,325)
Receipts (Refunds) of Customer Deposits	-	-	-
Receipts from grants	-	350,000	-
Other Receipts (Payments)	64,650	-	-
Net Cash Provided (Used) by Operating Activities	3,320,143	1,356,481	777,991
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers from Other Funds	(1,987,974)	(452,045)	15,000
Operating Subsidies and Transfers to Other Funds	53,182	44,407	(565,343)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,934,792)	(407,638)	(550,343)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipt of Bond Proceeds	-	350,000	-
Proceeds from Capital Grants	-	-	-
Purchases of Capital Assets and Construction in Progress	(192,719)	(449,890)	(20,695)
Principal Paid on Capital Debt	(71,686)	(402,877)	(59,950)
Interest Paid on Capital Debt	(36,845)	(55,392)	(17,690)
Net Cash Provided (Used) by Capital & Related Financing Activities	(301,250)	(558,159)	(98,335)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	3,905	6,575	995
Net Cash Provided (Used) by Investing Activities	3,905	6,575	995
Net Increase In Cash & Cash Equivalents	1,088,006	397,259	130,308
Balances - Beginning of the Year	5,112,838	2,371,738	1,147,978
Balances - End of the Year	\$ 6,200,844	\$ 2,768,997	\$ 1,278,286
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 3,093,138	\$ 864,652	\$ 709,606
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	127,253	366,956	43,346
Bad Debt Expense	28,150	6,270	4,360
Amortization Expense	571	-	-
Change In Assets & Liabilities:			
Accounts Receivable	(10,934)	9,345	14,799
Other Receivables	-	-	-
Inventories	-	-	-
Accounts Payable	87,741	106,706	3,611
Accrued Liabilities	(967)	-	-
Prepaid Expenses	-	1,684	-
Other Payables	-	-	-
Compensated Absences	(4,809)	868	1,975
Customer Deposits Payable	-	-	-
Landfill Closure/Post Closure Costs	-	-	-
Net Cash Provided (Used) by Operating Activities	\$ 3,320,143	\$ 1,356,481	\$ 777,697
Reconciliation to Statement of Net Position - Proprietary Funds:			
Cash and Cash Equivalents - Unrestricted	\$ 6,200,844	\$ 2,445,777	\$ 1,278,286
Cash and Cash Equivalents - Restricted	-	323,220	-
Total Cash and Cash Equivalents - Proprietary Funds	\$ 6,200,844	\$ 2,768,997	\$ 1,278,286

CITY OF BRADY, TEXAS

Statement of Cash Flows (Continued)

Proprietary Funds

For the Year Ended September 30, 2014

Solid Waste	Utility Support	Total
\$ 896,393	\$ 165,907	\$ 12,971,241
(310,331)	(149,163)	(6,657,359)
(240,226)	(137,361)	(921,439)
(82,406)	(41,024)	(250,689)
-	17,940	17,940
-	-	350,000
-	-	64,650
<u>263,430</u>	<u>(143,701)</u>	<u>5,574,344</u>
(53,126)	261,247	(2,216,898)
<u>53,126</u>	<u>-</u>	<u>(414,628)</u>
-	261,247	(2,631,526)
-	-	350,000
190,210	-	190,210
(190,210)	(117,944)	(971,458)
(109,314)	22,024	(621,803)
(8,893)	(849)	(119,669)
<u>(118,207)</u>	<u>(96,769)</u>	<u>(1,172,720)</u>
2,262	3,269	17,006
<u>2,262</u>	<u>3,269</u>	<u>17,006</u>
147,485	24,046	1,787,104
<u>667,184</u>	<u>857,506</u>	<u>10,157,244</u>
\$ <u>814,669</u>	\$ <u>881,552</u>	\$ <u>11,944,348</u>
\$ 127,057	\$ (190,961)	\$ 4,603,492
96,591	21,093	655,239
3,050	5,005	46,835
-	-	571
(10,172)	(21,872)	(18,834)
-	17,469	17,469
-	(4,714)	(4,714)
3,533	9,466	211,057
-	-	(967)
-	-	1,684
-	752	752
343	2,121	498
-	17,940	17,940
<u>43,027</u>	<u>-</u>	<u>43,027</u>
\$ <u>263,429</u>	\$ <u>(143,701)</u>	\$ <u>5,574,049</u>
\$ 553,535	\$ 233,858	\$ 10,712,300
<u>261,134</u>	<u>647,694</u>	<u>1,232,048</u>
\$ <u>814,669</u>	\$ <u>881,552</u>	\$ <u>11,944,348</u>

CITY OF BRADY, TEXAS

Statement of Net Position Discretely Presented Component Unit As of September 30, 2014

	Brady Economic Development Corporation
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 915,721
Receivables, Net of Allowances	59,094
Total Current Assets	<u>974,815</u>
Noncurrent Assets	
Other Receivables, Net	72,515
Land	9,673
Other Capital Assets, Net of Depreciation	360,951
Total Noncurrent Assets	<u>443,139</u>
Total Assets	<u>1,417,954</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	884
Interest Payable	750
Bonds, Notes and Leases Payable	22,942
Total Current Liabilities	<u>24,576</u>
Noncurrent Liabilities	
Deferred Revenues	1,204
Bonds, Notes and Leases Payable	115,779
Total Noncurrent Liabilities	<u>116,983</u>
Total Liabilities	<u>141,559</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	347,682
Unrestricted	928,713
Total Net Position	<u>\$ 1,276,395</u>

CITY OF BRADY, TEXAS

Statement of Activities
Discretely Presented Component Unit
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Position
			Governmental
Governmental Activities			
General Government			
Rental Income	\$ -	\$ 56,201	\$ 56,201
Marketing	2,839	-	(2,839)
Professional/Legal Fees	5,331	-	(5,331)
Audit Expense	11,000	-	(11,000)
Contract for Services	30,000	-	(30,000)
Community Development	4,500	-	(4,500)
Annual Land Lease	250	-	(250)
Travel and Training	4,626	-	(4,626)
Office Supplies	77	-	(77)
Meeting Provisions	32	-	(32)
Property Taxes	1,605	-	(1,605)
Building Repairs & Maintenance	69	-	(69)
Sundry	80	-	(80)
Bad Debt Expense	54,792	-	(54,792)
Interest Expense	8,272	-	(8,272)
Depreciation Expense	20,471	-	(20,471)
Total Governmental Activities	143,944	56,201	(87,743)
General Revenues			
City of Brady - Sales Tax Collections			228,188
Interest Revenue			9,022
Total General Revenues, Special Items, and Transfers			237,210
Change in Net Position			149,467
Net Position - Beginning			1,126,928
Net Position - Ending		\$	1,276,395

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

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, 2014

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

Separate financial statements are provided for governmental funds 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, 2014

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, 2014

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, 2014

Note A – Summary of Significant Accounting Policies (Continued)

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

PROPRIETARY FUNDS (CONTINUED)

The major proprietary funds are:

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

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

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

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

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

There are no non-major proprietary funds.

The City has no internal service funds.

FIDUCIARY FUNDS

The City has no fiduciary funds.

Cash and Cash Equivalents

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

Investments

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

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note A – Summary of Significant Accounting Policies (Continued)

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

Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. The City records an allowance for accounts it deems to be uncollectible. The allowance for uncollectible accounts receivable was \$31,839 at September 30, 2014 and is reported in the business-type activities.

The EDC believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. The EDC records an allowance for accounts it deems to be uncollectible. The allowance for uncollectible receivables was zero at September 30, 2014.

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

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

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

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

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

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note A – Summary of Significant Accounting Policies (Continued)

Interest Capitalization

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

Equity Classifications

Government-Wide Financial Statement Equity

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

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

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

Fund Statement Equity

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

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *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, 2014

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.

For the EDC, the Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as designation or commitment of the fund. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes). The EDC strives to maintain an unassigned fund balance to be used for operations.

Unpaid Compensated Absences

The City accrues unused portions of vacation pay in the period the fund liability is incurred. Even though the City has appropriated, accumulated, and earmarked expendable available fund resources for these amounts, the portion not normally expected to be liquidated with expendable available financial resources is not reported as a fund liability in accordance with Interpretation No. 6 of the Governmental Accounting Standards Board - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Note B – Discretely Presented Component Unit

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

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

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, 2014 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, 2014:

	Transfers In	Transfers Out	Net Transfers In/Out
Governmental Activities			
General Fund	\$ 2,468,632	\$ -	\$ 2,468,632
Special Revenue Fund	290,044	127,152	162,892
Business-Type Activities			
Sewer and Electric	53,182	1,934,846	(1,881,664)
Water	44,407	452,045	(407,638)
Gas	15,000	565,343	(550,343)
Solid Waste	-	53,126	(53,126)
Utility Support	261,247	-	261,247
	<u>\$ 3,132,512</u>	<u>\$ 3,132,512</u>	<u>\$ -</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

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 Depositary 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.

The EDC's Board of Directors has the authority to choose the types of deposits and investments made by the EDC. The Federal Deposit Insurance Corporation provides protection of cash and investments. In addition, the Commercial National Bank of Brady has pledged qualified securities against the deposits of the EDC. The EDC does not enter into reverse repurchase agreements.

Deposits and Investments

The carrying amount of the City's cash held with financial institutions was \$11,095,603 and the bank balance was \$11,039,593. 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.		10,539,593
Total Bank Balance	\$	<u><u>11,039,593</u></u>

All deposits were fully secured at the balance sheet date.

The carrying amount of the EDC's cash held with financial institutions was \$915,722 and the bank balance was \$915,819. The bank balance is categorized as follows:

Insured by FDIC or collateralized with securities held by the EDC or its agent in the EDC's name.	\$	250,000
Collateralized with securities held by the pledging financial institution or its agent but not in the EDC's name.		665,819
Total Bank Balance	\$	<u><u>915,819</u></u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note D – Deposits and Investments (Continued)

Deposits and Investments (Continued)

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.

Restricted Deposits and Investments

The City had deposits and investments restricted for the following purposes at September 30, 2014:

Restricted For:	Governmental Activities	Business-Type Activities	Total
State, Local and Federally Funded Programs	\$ 176,501	\$ -	\$ 176,501
Police Activities	16,433	-	16,433
Court Technology and Security	3,730	-	3,730
Debt Service	22,638	103,220	125,858
Repair and Replacement of Equipment	-	220,000	220,000
Utility Customer Deposits	-	647,694	647,694
Landfill Closure Reserve	-	261,134	261,134
Total Restricted Cash	<u>\$ 219,302</u>	<u>\$ 1,232,048</u>	<u>\$ 1,451,350</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2014

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 2014, the City of Brady had property with an assessed valuation of \$209,532,487. The tax rate was \$0.3128 per \$100 valuation.

Note F – Capital Assets and Depreciation

Capital asset activity for the year ended September 30, 2014 was as follows:

Governmental Activities	Balance 10/1/2013	Additions	Deletions	Transfers	Balance 9/30/2014
Capital assets not being depreciated:					
Land	\$ 728,734	\$ 6,750	\$ -	\$ -	\$ 735,484
Construction in progress	255,040	88,353	-	(256,579)	86,814
Subtotal	983,774	95,103	-	(256,579)	822,298
Capital assets being depreciated:					
Buildings and improvements	7,530,837	30,044	(4,742)	-	7,556,139
Infrastructure	8,947,994	-	-	256,579	9,204,573
Vehicles	1,042,687	27,068	-	(28,186)	1,041,569
Equipment	1,982,617	16,440	(9,692)	-	1,989,365
Subtotal	19,504,135	73,552	(14,434)	228,393	19,791,646
Accumulated depreciation:					
Buildings and improvements	(3,169,394)	(226,132)	4,742	-	(3,390,784)
Infrastructure	(5,688,794)	(631,030)	-	-	(6,319,824)
Vehicles	(790,755)	(129,613)	-	28,186	(892,182)
Equipment	(1,453,918)	(123,474)	8,992	-	(1,568,400)
Subtotal	(11,102,861)	(1,110,249)	13,734	28,186	(12,171,190)
Net capital assets being depreciated	8,401,274	(1,036,697)	(700)	256,579	7,620,456
Net capital assets	\$ 9,385,048	\$ (941,594)	\$ (700)	\$ -	\$ 8,442,754

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note F – Capital Assets and Depreciation (Continued)

Business-Type Activities	Balance 10/1/2013	Additions	Deletions	Transfers and Adjustments	Balance 9/30/2014
Capital assets not being depreciated:					
Land	\$ 84,829	\$ -	\$ -	\$ -	\$ 84,829
Construction in progress	5,119,742	596,061	-	(4,819,937)	895,866
Subtotal	5,204,571	596,061	-	(4,819,937)	980,695
Capital assets being depreciated:					
Buildings and improvements	13,125,683	42,182	(51,303)	2,424,931	15,541,493
Infrastructure	14,194,818	107,750	(850,162)	2,395,006	15,847,412
Vehicles	524,059	-	-	28,186	552,245
Equipment	2,578,412	225,465	-	-	2,803,877
Subtotal	30,422,972	375,397	(901,465)	4,848,123	34,745,027
Accumulated depreciation:					
Buildings and improvements	(3,814,301)	(237,885)	51,303	-	(4,000,883)
Infrastructure	(7,328,092)	(234,727)	850,162	-	(6,712,657)
Vehicles	(499,156)	(45,858)	-	(28,186)	(573,200)
Equipment	(1,566,427)	(136,770)	-	(33,664)	(1,736,861)
Subtotal	(13,207,976)	(655,240)	901,465	(61,850)	(13,023,601)
Net capital assets being depreciated	17,214,996	(279,843)	-	4,786,273	21,721,426
Net capital assets	\$ 22,419,567	\$ 316,218	\$ -	\$ (33,664)	\$ 22,702,121

Economic Development Corporation	Balance 10/1/2013	Additions	Deletions	Transfers	Balance 9/30/2014
Capital assets not being depreciated:					
Land	\$ 9,673	\$ -	\$ -	\$ -	\$ 9,673
Subtotal	9,673	-	-	-	9,673
Capital assets being depreciated:					
Buildings and improvements	452,953	-	-	-	452,953
Subtotal	452,953	-	-	-	452,953
Accumulated depreciation:					
Buildings and improvements	(71,531)	(20,471)	-	-	(92,002)
Subtotal	(71,531)	(20,471)	-	-	(92,002)
Net capital assets being depreciated	381,422	(20,471)	-	-	360,951
Net capital assets	\$ 391,095	\$ (20,471)	\$ -	\$ -	\$ 370,624

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note F – Capital Assets and Depreciation (Continued)

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

Governmental Activities	
Administration	\$ 25,629
Airport	472,247
Public Property Maintenance	110,640
Golf Course	31,043
Fire Department	14,015
Police Department	67,839
Emergency Operations Center	10,620
Street Department	256,435
Civic Center	546
Municipal Court	1,226
Animal Control	4,464
EMS Department	78,710
Lake Department	29,023
G. Rollie White Complex	6,736
Senior Citizens Program	1,076
Total Depreciation Expense	\$ <u><u>1,110,249</u></u>
Business-Type Activities	
Electric	\$ 64,321
Sewer	62,932
Water	366,956
Gas	43,346
Solid Waste	70,173
Street Sanitation	26,418
Utility Support	21,093
Total Depreciation Expense	\$ <u><u>655,239</u></u>
Economic Development Corporation	
Buildings & Improvements	\$ <u>20,471</u>
Total Depreciation Expense	\$ <u><u>20,471</u></u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

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.

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 2013	Plan Year 2014
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 Entry Age Normal (EAN) 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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, 2014

Note G – Pension Plan (Continued)

Contributions (Continued)

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

Annual Required Contribution (ARC)	\$	332,085
Interest on Net Pension Obligation		-
Adjustment to the ARC		-
Annual Pension Cost (APC)		<u>332,085</u>
Contributions Made		<u>(332,085)</u>
Increase (Decrease) in Net Pension		-
Net Pension Obligation/(Asset), beginning of year		-
Net Pension Obligation/(Asset), end of year	\$	<u><u>-</u></u>

Three-year trend information:

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution Made	Percentage of APC Contributed	Net Pension Obligation (Asset)
2012	\$ 290,988	\$ 290,988	100%	\$ -
2013	\$ 321,269	\$ 321,269	100%	\$ -
2014	\$ 332,085	\$ 332,085	100%	\$ -

The required contributions rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, as is follows:

Valuation Date	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.1 years; closed period	26.0 years; closed period	27.0 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:			
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	2.10%	2.10%	2.10%

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note G – Pension Plan (Continued)

Contributions (Continued)

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, 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)
12/31/2013	\$5,949,312	\$7,663,161	77.6%	\$1,713,849	\$2,982,621	57.5%

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, 2014

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, 2014, 2013, and 2012 were \$16,614, \$7,160, and \$6,999, 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 \$123,656 at September 30, 2014.

Note I – Risk Management

Liability Insurance

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

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

The EDC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The EDC manages these losses by purchasing insurance to preclude any significant losses. Management believes the insurance coverage is sufficient to preclude any significant uninsured losses to the EDC. Settled claims have not exceeded the insurance coverage in any part of the past three years.

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2014

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, 2014 were \$21,374 for governmental activities and \$77,513 for business-type activities.

Future minimum lease payments for operating leases are as follows:

Year Ended September 30,	Amount
2015	\$ 98,742
2016	78,611
2017	60,760
2018	11,619
2019	6,414
Total	<u>\$ 256,146</u>

The assets acquired through capital leases have a capitalized cost of \$3,792,367. Accumulated depreciation at year-end was \$3,347,616. Capital lease obligations are discussed in Note K.

Note K – Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2014 includes the following:

	Balance 10/1/2013	Additions	Reductions	Balance 9/30/2014	Amount Due Within One Year
Governmental Activities					
General Obligation Refunding Bonds, Series 2003	\$ 320,000	\$ -	\$ (155,000)	\$ 165,000	\$ 165,000
General Obligation Refunding Bonds, Series 2012	1,489,600	-	(53,900)	1,435,700	53,900
Welch State Bank	2,635	-	(2,635)	-	-
PNC Equipment Finance	3,963	-	(3,963)	-	-
View Point Bank	36,399	-	(36,399)	-	-
Bank & Trust	36,262	-	(30,946)	5,316	5,316
Security State Bank	49,984	-	(17,499)	32,485	18,264
View Point Bank	31,829	-	(31,829)	-	-
First Financial	82,405	-	(24,938)	57,467	26,667
Total Bonds, Notes, and Capital Leases Payable	<u>2,053,077</u>	<u>-</u>	<u>(357,109)</u>	<u>1,695,968</u>	<u>269,147</u>
Compensated Absences	83,127	16,024	-	99,151	-
Total Governmental Activities	<u>\$ 2,136,204</u>	<u>\$ 16,024</u>	<u>\$ (357,109)</u>	<u>\$ 1,795,119</u>	<u>\$ 269,147</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note K – Long-Term Liabilities (Continued)

Business-Type Activities	Balance 10/1/2013	Additions	Reductions	Balance 9/30/2014	Amount Due Within One Year
Sewer and Electric:					
Certificates of Obligation - WWTP, Series 2012	\$ 1,210,000	\$ -	\$ -	\$ 1,210,000	\$ 20,649
Security State Bank	56,510	-	(19,784)	36,726	6,982
Schertz State Bank	17,246	-	(6,640)	10,606	46,988
Texas Bank	483,096	-	(45,262)	437,834	115,000
	<u>1,766,852</u>	<u>-</u>	<u>(71,686)</u>	<u>1,695,166</u>	<u>189,619</u>
Water:					
Certificates of Obligation, Series 2000	3,780,000	-	(210,000)	3,570,000	210,000
Certificates of Obligation, Series 2004	285,000	-	(90,000)	195,000	95,000
Certificates of Obligation, Series 2013	-	350,000	-	350,000	35,000
General Obligation Refunding Bonds, Series 2012	30,400	-	(1,100)	29,300	1,100
Schertz State Bank	22,134	-	(5,595)	16,539	5,916
Texas Bank	1,026,578	-	(96,182)	930,396	99,850
	<u>5,144,112</u>	<u>350,000</u>	<u>(402,877)</u>	<u>5,091,235</u>	<u>446,866</u>
Gas:					
John Deere Credit	3,590	-	(3,590)	-	-
Security State Bank	9,523	-	(3,334)	6,189	3,480
Shertz Bank & Trust	18,067	-	(5,878)	12,189	6,203
Texas Bank	503,225	-	(47,148)	456,077	48,946
	<u>534,405</u>	<u>-</u>	<u>(59,950)</u>	<u>474,455</u>	<u>58,629</u>
Utility Support:					
Government Capital - Forklift	-	25,962	(3,938)	22,024	4,958
	<u>-</u>	<u>25,962</u>	<u>(3,938)</u>	<u>22,024</u>	<u>4,958</u>
Solid Waste:					
View Point Bank	99,848	-	(50,536)	49,312	49,312
Caterpillar Financial	138,467	-	(45,811)	92,656	47,467
First Financial Bank	-	190,210	(12,967)	177,243	16,502
	<u>238,315</u>	<u>190,210</u>	<u>(109,314)</u>	<u>319,211</u>	<u>113,281</u>
Total Bonds, Notes, and Capital Leases Payable	<u>7,683,684</u>	<u>566,172</u>	<u>(647,765)</u>	<u>7,602,091</u>	<u>813,353</u>
Compensated Absences	24,006	498	-	24,504	-
Total Business-Type Activities	<u>\$ 7,707,690</u>	<u>\$ 566,670</u>	<u>\$ (647,765)</u>	<u>\$ 7,626,595</u>	<u>\$ 813,353</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note K – Long-Term Liabilities (Continued)

	Balance 10/1/2013	Additions	Reductions	Balance 9/30/2014	Amount Due Within One Year
Economic Development Corporation					
Brady National Bank	160,449	-	(21,728)	138,721	22,942
Total Bonds, Notes, and Capital Leases Payable	160,449	-	(21,728)	138,721	22,942

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, 2014 was \$3,570,000.

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, 2014 was \$165,000.

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, 2014 was \$195,000.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

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, 2014 was \$1,465,000.

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, 2014 was \$1,210,000.

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

On September 30, 2014, the City issued the Combination Tax & Surplus Waterworks System Revenue Certificates of Obligation, Series 2013 in the amount of \$350,000. These bonds were issued to finance the planning for certain water system improvements. Principal amounts on these certificates are due and payable annually on September 1. Interest is due and payable semi-annually on March 1 and September 1 at rates ranging from .020% to 2.860%. These certificates will be paid in full on September 1, 2024. The outstanding principal amount at September 30, 2014 was \$350,000.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note K – Long-Term Liabilities (Continued)

Description of Debt (Continued)

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 matured and was paid in full during the fiscal year ended September 30, 2014.

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 matured and was paid in full during the fiscal year ended September 30, 2014.

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

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note K – Long-Term Liabilities (Continued)

Description of Debt (Continued)

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

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.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note K – Long-Term Liabilities (Continued)

Description of Debt (Continued)

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.

First Financial Bank

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

Government Capital

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

Commercial National Bank

On January 31, 2011, the EDC borrowed \$200,000 from the Commercial National Bank to assist with the construction of an airplane hangar at the City of Brady airport. On February 4, 2013, the outstanding balance on the loan was renewed. The note is due and payable in 35 monthly payments of \$2,500 beginning March 1, 2013 with a balloon payment due on February 1, 2016. Payments include interest at 5.50%.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note K – Long-Term Liabilities (Continued)

Debt Maturity

Debt service requirements at September 30, 2014 were as follows:

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

Year Ended September 30	Principal	Interest	Total
2015	\$ 210,000	\$ -	\$ 210,000
2016	210,000	-	210,000
2017	210,000	-	210,000
2018	210,000	-	210,000
2019	210,000	-	210,000
2020-2024	1,050,000	-	1,050,000
2025-2029	1,050,000	-	1,050,000
2030-2031	420,000	-	420,000
	<u>\$ 3,570,000</u>	<u>\$ -</u>	<u>\$ 3,570,000</u>

General Obligation Refunding Bonds, Series 2003

Year Ended September 30	Principal	Interest	Total
2015	\$ 165,000	\$ 64,231	\$ 229,231
	<u>\$ 165,000</u>	<u>\$ 64,231</u>	<u>\$ 229,231</u>

Combination Tax and Revenue Certificates of Obligation, Series 2004

Year Ended September 30	Principal	Interest	Total
2015	\$ 95,000	\$ 80,279	\$ 175,279
2016	100,000	75,729	175,729
	<u>\$ 195,000</u>	<u>\$ 156,008</u>	<u>\$ 351,008</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note K – Long-Term Liabilities (Continued)

Debt Maturity (Continued)

General Obligation Refunding Bonds, Series 2012

Year Ended September 30	Principal	Interest	Total
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	195,000	21,938	216,938
2020-2022	620,000	34,912	654,912
	<u>\$ 1,465,000</u>	<u>\$ 183,550</u>	<u>\$ 1,648,550</u>

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

Year Ended September 30	Principal	Interest	Total
2015	\$ 35,000	\$ 5,558	\$ 40,558
2016	35,000	5,551	40,551
2017	35,000	5,418	40,418
2018	35,000	5,173	40,173
2019	35,000	4,813	39,813
2020-2024	175,000	13,681	188,681
	<u>\$ 350,000</u>	<u>\$ 40,194</u>	<u>\$ 390,194</u>

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

Year Ended September 30	Principal	Interest	Total
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	120,000	14,752	134,752
2020-2024	630,000	41,115	671,115
	<u>\$ 1,210,000</u>	<u>\$ 125,177</u>	<u>\$ 1,335,177</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note K – Long-Term Liabilities (Continued)

Debt Maturity (Continued)

View Point Bank

Year Ended September 30	Principal	Interest	Total
2015	\$ 49,312	\$ 1,393	\$ 50,705
	\$ 49,312	\$ 1,393	\$ 50,705

The Bank & Trust, S.S.B.

Year Ended September 30	Principal	Interest	Total
2015	\$ 5,316	\$ 35	\$ 5,351
	\$ 5,316	\$ 35	\$ 5,351

Security State Bank

Year Ended September 30	Principal	Interest	Total
2015	\$ 42,393	\$ 2,406	\$ 44,799
2016	33,008	592	33,600
	\$ 75,401	\$ 2,998	\$ 78,399

First Financial Bank, N.A.

Year Ended September 30	Principal	Interest	Total
2015	\$ 26,668	\$ 1,786	\$ 28,454
2016	27,754	700	28,454
2017	2,362	8	2,370
	\$ 56,784	\$ 2,494	\$ 59,278

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note K – Long-Term Liabilities (Continued)

Debt Maturity (Continued)

Schertz Bank and Trust

Year Ended September 30	Principal	Interest	Total
2015	\$ 6,982	\$ 374	\$ 7,356
2016	3,624	53	3,677
	<u>\$ 10,606</u>	<u>\$ 427</u>	<u>\$ 11,033</u>

Schertz Bank and Trust

Year Ended September 30	Principal	Interest	Total
2015	\$ 6,203	\$ 505	\$ 6,708
2016	5,986	163	6,149
	<u>\$ 12,189</u>	<u>\$ 668</u>	<u>\$ 12,857</u>

Caterpillar Financial

Year Ended September 30	Principal	Interest	Total
2015	\$ 47,467	\$ 2,254	\$ 49,721
2016	45,015	562	45,577
	<u>\$ 92,482</u>	<u>\$ 2,816</u>	<u>\$ 95,298</u>

Texas Bank

Year Ended September 30	Principal	Interest	Total
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	223,637	30,743	254,380
2020-2023	780,377	77,100	857,477
	<u>\$ 1,827,774</u>	<u>\$ 301,602</u>	<u>\$ 2,129,376</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note K – Long-Term Liabilities (Continued)

Debt Maturity (Continued)

Schertz Bank & Trust

Year Ended September 30	Principal	Interest	Total
2015	\$ 5,916	\$ 775	\$ 6,691
2016	6,255	435	6,690
2017	4,368	92	4,460
	<u>\$ 16,539</u>	<u>\$ 1,302</u>	<u>\$ 17,841</u>

First Financial Bank

Year Ended September 30	Principal	Interest	Total
2015	\$ 16,502	\$ 6,394	\$ 22,896
2016	17,135	5,761	22,896
2017	17,791	5,105	22,896
2018	18,473	4,423	22,896
2019	19,181	3,715	22,896
2020-2024	88,161	7,237	95,398
	<u>\$ 177,243</u>	<u>\$ 32,635</u>	<u>\$ 209,878</u>

Government Capital

Year Ended September 30	Principal	Interest	Total
2015	\$ 4,958	\$ 786	\$ 5,744
2016	5,159	585	5,744
2017	5,368	376	5,744
2018	5,586	159	5,745
2019	953	5	958
	<u>\$ 22,024</u>	<u>\$ 1,911</u>	<u>\$ 23,935</u>

Commercial National Bank

Year Ended September 30	Principal	Interest	Total
2015	\$ 22,942	\$ 7,058	\$ 30,000
2016	115,832	2,579	118,411
	<u>\$ 138,774</u>	<u>\$ 9,637</u>	<u>\$ 148,411</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

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 \$304,161 as of September 30, 2014, which was based on 18.21% usage (filled) of the landfill. It is estimated that an additional \$1,365,678 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 (\$1,669,839) 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, 2014. 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 2014 disposal is in excess of 100 years. The current estimated liability of \$304,161 is reported in the Solid Waste Fund as a long-term liability. The City of Brady is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The City is in compliance with these requirements.

Note M – Net Position

Implementation of New Accounting Principles

Governmental Accounting Standards Board Statement No. 65

The City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement modifies financial reporting of certain assets and liabilities to be reclassified as deferred outflows of resources or deferred inflows of resources. This statements mandates that debt issuance costs, which had previously been capitalized and amortized over the life of the related debt, be expensed as incurred.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2014

Note M – Net Position (Continued)

Restatement of Net Position

For the fiscal year ending September 30, 2014, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (“the Statement”) was implemented. The implementation of the statement resulted in the city eliminating the bond issuance costs that were previously capitalized and amortized over the life of the related debt. The City’s government-wide net position and proprietary fund net position as of September 30, 2014, have been restated as follows:

	Government-Wide Statement of Net Position	
	Governmental Activities	Business-Type Activities
Net position at September 30, 2013, as previously reported	\$ 8,985,295	\$ 24,350,315
GASB Statement No. 65 adjustment:		
Bond Issuance Costs	(103,766)	(105,257)
Net position at September 30, 2013, as restated	<u>\$ 8,881,529</u>	<u>\$ 24,245,058</u>

Deferred Outflows/Inflows of Resources

In addition, to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from uncollected property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF BRADY, TEXAS

Notes to the Financial Statements For the Year Ended September 30, 2014

Note N – Restricted Net Position

The City reported the following restricted net position at September 30, 2014.

Restricted For:	Governmental Activities	Business-Type Activities	Total Governmental Funds
Debt Service	\$ 22,638	\$ 117,872	\$ 140,510
State, Local, and Federally Funded Programs	198,790	2,914,995	3,113,785
Landfill Closure	-	304,161	304,161
Street Sanitation	-	49,533	49,533
Police Activities	16,433	-	16,433
Court Technology and Security	3,730	-	3,730
Total Restricted	<u>\$ 241,591</u>	<u>\$ 3,386,561</u>	<u>\$ 3,628,152</u>

Note O – Fund Balances

The City reported the following fund balance designations at September 30, 2014:

	General Fund	Special Revenue Fund	Total Governmental Funds
Nonspendable:			
Inventory	\$ 40,899	\$ -	\$ 40,899
Total Nonspendable	40,899	-	40,899
Restricted For:			
Debt Service	22,638	-	22,638
State and Federally Funded Programs	-	198,790	198,790
Police Activities	16,433	-	16,433
Court Technology and Security	3,730	-	3,730
Total Restricted	42,801	198,790	241,591
Unassigned	1,539,493	-	1,539,493
Total Fund Balances	<u>\$ 1,623,193</u>	<u>\$ 198,790</u>	<u>\$ 1,821,983</u>

Note P – Prior Period Adjustment

The following prior period adjustment to net position was recorded for fiscal year ending September 30, 2014. The Utility Support Fund has capital assets purchased in a prior period that was not recording depreciation expense. The City is restating the Utility Support Fund net position includes the expense and related accumulated depreciation. The net effect of this adjustment was to decrease beginning net position by \$33,664.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Property Tax	\$ 674,350	\$ 680,284	\$ 680,964	\$ 680
Sales Tax	770,000	954,000	954,056	56
Franchise Taxes	38,000	40,000	40,004	4
Mixed Beverage Tax	400	400	877	477
Interest Income	25,970	35,170	42,083	6,913
Miscellaneous Revenue	100	100	2,629	2,529
Reimbursed Expenses	1,500	1,500	18,413	16,913
Administrative Services	41,025	41,025	37,147	(3,878)
Airport Revenue	595,300	508,480	430,560	(77,920)
Public Property Maintenance	40,200	40,325	39,611	(714)
Golf Course	107,000	97,970	104,300	6,330
Swimming Pool	15,000	17,958	24,290	6,332
Fire Department	82,500	83,998	86,874	2,876
Police Department	11,500	11,500	11,802	302
Emergency Op Center	55,000	55,000	55,000	-
Community Services Administration	30,000	30,000	30,000	-
Street Department	-	-	34	34
Civic Center	238,000	15,600	16,600	1,000
Municipal Court	47,300	43,300	45,032	1,732
Animal Control	700	850	779	(71)
City/County EMS	690,937	694,510	705,217	10,707
Lake Department	140,700	143,649	144,204	555
G.R. White Complex	-	-	440	440
Building & Permitting	29,334	29,334	31,401	2,067
Donations	10,000	20,000	30,024	10,024
Grant Revenue	-	-	11,373	11,373
Total Revenues	\$ 3,644,816	\$ 3,544,953	\$ 3,543,714	\$ (1,239)

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
EXPENDITURES				
Administration	\$ 525,491	\$ 555,793	\$ 551,211	\$ 4,582
Airport	713,244	583,730	561,917	21,813
Public Property Maintenance	298,127	257,141	237,025	20,116
Mayor and Council	24,020	18,546	11,168	7,378
Golf Course	245,622	235,589	235,795	(206)
Swimming Pool	83,017	80,996	70,913	10,083
Fire Department	757,366	780,893	764,873	16,020
Police Department	774,640	762,774	695,737	67,037
Emergency Op Center	22,618	19,240	15,112	4,128
Communications	220,477	239,311	235,902	3,409
Community Services Administration	112,306	65,824	59,274	6,550
Street Department	500,890	448,348	414,425	33,923
Civic Center	27,500	16,000	15,726	274
Municipal Court	54,239	50,407	45,072	5,335
Special Services	44,700	44,900	44,680	220
Repair Shop	50,513	51,369	43,104	8,265
Animal Control	55,572	56,135	51,017	5,118
City/County EMS	720,230	707,984	673,834	34,150
Lake Department	197,208	155,689	156,068	(379)
G.R. White Complex	13,100	30,000	22,856	7,144
Purchasing	52,717	53,389	46,171	7,218
Financial Administration	246,343	236,964	226,397	10,567
Building & Permitting	185,796	171,385	144,913	26,472
Capital Outlay	417,728	102,728	154,605	(51,877)
Debit Service				
Principal	356,285	356,285	357,109	(824)
Interest	55,757	55,757	51,895	3,862
Total Expenditures	<u>6,755,506</u>	<u>6,137,177</u>	<u>5,886,799</u>	<u>250,378</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(3,110,690)	(2,592,224)	(2,343,085)	249,139
OTHER FINANCING SOURCES (USES)				
Transfers In	3,256,102	3,094,081	2,468,632	(625,449)
Donated Assets	-	-	6,750	6,750
Sale of Fixed Assets	-	-	700	700
Transfers Out	(140,513)	(57,413)	-	57,413
Total Other Financing Sources (Uses)	<u>3,115,589</u>	<u>3,036,668</u>	<u>2,476,082</u>	<u>(560,586)</u>
Excess Revenues and Other Sources Over				
(Under) Expenditures and Other Uses	4,899	444,444	132,997	(311,447)
Fund Balance - Beginning, GAAP Basis	<u>1,490,196</u>	<u>1,490,196</u>	<u>1,490,196</u>	<u>-</u>
Fund Balance - Ending, GAAP and				
Budgetary Basis	<u>\$ 1,495,095</u>	<u>\$ 1,934,640</u>	<u>\$ 1,623,193</u>	<u>\$ (311,447)</u>

CITY OF BRADY, TEXAS

Required Supplemental Information

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

Special Revenue Fund

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Sales Taxes	\$ 190,000	\$ 210,000	\$ 232,473	\$ 22,473
Hotel Occupancy Taxes	170,000	170,000	230,741	60,741
Senior Citizen Revenues	28,000	28,000	30,762	2,762
Donations	-	-	2,523	2,523
Pass-Through Services Revenue	5,000	5,000	4,559	(441)
Reimbursed Expenses	-	-	33	33
Community Development	-	-	28,175	28,175
Grant Revenues	1,320,238	1,120,592	180,880	(939,712)
Total Revenues	<u>1,713,238</u>	<u>1,533,592</u>	<u>710,146</u>	<u>(823,446)</u>
EXPENDITURES				
Pass-Through Services	365,000	385,000	482,271	(97,271)
Senior Citizens Program	290,765	309,879	306,497	3,382
Community Development	3,129,366	2,836,457	13,442	2,823,015
Capital Outlay	-	-	14,050	(14,050)
Total Expenditures	<u>3,785,131</u>	<u>3,531,336</u>	<u>816,260</u>	<u>2,715,076</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,071,893)	(1,997,744)	(106,114)	1,891,630
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	268,278	250,815	290,044	39,229
Operating Transfers Out	(54,000)	-	(127,152)	(127,152)
Total Other Financing Sources and Uses	<u>214,278</u>	<u>250,815</u>	<u>162,892</u>	<u>(87,923)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,857,615)	(1,746,929)	56,778	1,803,707
Fund Balance - Beginning, GAAP Basis	<u>142,012</u>	<u>142,012</u>	<u>142,012</u>	<u>-</u>
Fund Balance - Ending, GAAP and Budgetary Basis	<u>\$ (1,715,603)</u>	<u>\$ (1,604,917)</u>	<u>\$ 198,790</u>	<u>\$ 1,803,707</u>

CITY OF BRADY, TEXAS

Required Supplemental Information
Notes to the Budgetary Comparison Schedules
For the Year Ended September 30, 2014

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, 2014

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)
12/31/2011	\$ 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%
12/31/2013	\$ 5,949,312	\$ 7,663,161	77.6%	\$ 1,713,849	\$ 2,982,621	57.5%

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Electrical Distribution	\$ 7,582,210	\$ 7,800,710	\$ 7,921,285	\$ 120,575
Wastewater	648,500	666,500	670,984	4,484
Interest Income	3,000	3,000	3,905	905
Reimbursed Expenses	-	-	12,299	12,299
Total Revenues	<u>8,233,710</u>	<u>8,470,210</u>	<u>8,608,473</u>	<u>138,263</u>
EXPENDITURES				
Power Plant	1,000	5,784	7,383	(1,599)
Electrical Distribution	4,870,789	5,053,178	4,984,257	68,921
Wastewater	340,252	407,471	364,387	43,084
Bad Debt Expense	55,000	45,000	28,150	16,850
Amortization	2,655	2,655	-	2,655
Capital Outlay	1,500	42,182	192,719	(150,537)
Debt Service				
Principal Payments	71,992	71,992	71,686	306
Interest Payments	36,658	36,658	36,529	129
Total Expenditures	<u>5,379,846</u>	<u>5,664,920</u>	<u>5,685,111</u>	<u>(20,191)</u>
Excess Revenues Over (Under)				
Expenditures	2,853,864	2,805,290	2,923,362	118,072
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	53,182	53,182
Transfers Out	(2,851,864)	(2,506,449)	(1,934,846)	571,603
Total Other Financing Sources (Uses)	<u>(2,851,864)</u>	<u>(2,506,449)</u>	<u>(1,881,664)</u>	<u>624,785</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,000	298,841	1,041,698	742,857
Net Position - Beginning, GAAP Basis	6,516,729	6,516,729	6,516,729	-
Prior Period Adjustment	<u>(52,663)</u>	<u>(52,663)</u>	<u>(52,663)</u>	<u>-</u>
Net Position - Beginning Restated	<u>6,464,066</u>	<u>6,464,066</u>	<u>6,464,066</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	<u>\$ 6,466,066</u>	<u>\$ 6,762,907</u>	<u>7,505,764</u>	<u>\$ 742,857</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(127,253)	
Principal Payments - The City budgets for principal debt payments			71,686	
Capital Outlay - The City budgets for capital outlay			192,719	
Net Position- Ending, GAAP Basis			<u>\$ 7,642,916</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Water Fund
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Water Department	\$ 1,627,857	\$ 1,610,471	\$ 1,630,805	\$ 20,334
Interest Revenue	7,000	6,000	6,575	575
Grant Revenue			350,000	350,000
Reimbursed Expenses	-	-	2,971	2,971
Total Revenues	<u>1,634,857</u>	<u>1,616,471</u>	<u>1,990,351</u>	<u>373,880</u>
EXPENDITURES				
Water Department	964,067	984,971	745,898	239,073
Bad Debt Expense	11,500	9,500	6,270	3,230
Capital Outlay	-	-	449,889	(449,889)
Debt Service				
Principal Payments	403,275	403,275	402,877	398
Interest Payments	59,090	59,090	52,868	6,222
Total Expenditures	<u>1,439,332</u>	<u>1,456,836</u>	<u>1,657,802</u>	<u>(200,966)</u>
Excess Revenues Over (Under) Expenditures	195,525	159,635	332,549	172,914
OTHER FINANCING SOURCES (USES)				
Transfers In	54,000	54,000	44,407	(9,593)
Bond Proceeds	-	-	(350,000)	(350,000)
Transfers Out	(249,525)	(407,655)	(452,045)	(44,390)
Total Other Financing Sources (Uses)	<u>(195,525)</u>	<u>(353,655)</u>	<u>(757,638)</u>	<u>(403,983)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(194,020)	(425,089)	(231,069)
Net Position - Beginning, GAAP Basis	<u>12,003,661</u>	<u>12,003,661</u>	<u>12,003,661</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>12,003,661</u>	\$ <u>11,809,641</u>	11,578,572	\$ <u>(231,069)</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(366,956)	
Principal Payments - The City budgets for principal debt payments			402,877	
Capital Outlay - The City budgets for capital outlay			449,889	
Bond Proceeds - The City normally budgets for debt proceeds			350,000	
Net Position - Ending, GAAP Basis			<u>\$ 12,414,382</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Gas Fund
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Gas Distribution	\$ 1,378,600	\$ 1,723,600	\$ 1,734,336	\$ 10,736
Interest Revenue	700	700	995	295
Reimbursed Expenses	-	-	2,627	2,627
Total Revenues	<u>1,379,300</u>	<u>1,724,300</u>	<u>1,737,958</u>	<u>13,658</u>
EXPENDITURES				
Gas Department	763,987	1,014,119	979,651	34,468
Bad Debt Expense	7,000	7,000	4,360	2,640
Capital Outlay	-	-	20,696	(20,696)
Debt Service				
Principal Payments	60,466	60,466	59,950	516
Interest Payments	17,497	17,497	17,307	190
Total Expenditures	<u>848,950</u>	<u>1,099,082</u>	<u>1,081,964</u>	<u>17,118</u>
Excess Revenues Over (Under)				
Expenditures	530,350	625,218	655,994	30,776
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	15,000	15,000
Transfers Out	(530,350)	(581,798)	(565,343)	16,455
Total Other Financing Sources (Uses)	<u>(530,350)</u>	<u>(581,798)</u>	<u>(550,343)</u>	<u>31,455</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	43,420	105,651	62,231
Net Position - Beginning, GAAP Basis	<u>2,388,036</u>	<u>2,388,036</u>	<u>2,388,036</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	<u>\$ 2,388,036</u>	<u>\$ 2,431,456</u>	<u>\$ 2,493,687</u>	<u>\$ 62,231</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(43,346)	
Principal Payments - The City budgets for principal debt payments			59,950	
Capital Outlay - The City budgets for capital outlay			20,696	
Net Position - Ending, GAAP Basis			<u>\$ 2,530,987</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Solid Waste Fund
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Solid Waste	\$ 808,500	\$ 820,650	\$ 830,039	\$ 9,389
Street Sanitation	74,113	74,113	76,526	2,413
Interest Revenue	3,000	2,250	2,262	12
Reimbursed Expenses	-	-	5,328	5,328
Total Revenues	<u>885,613</u>	<u>897,013</u>	<u>914,155</u>	<u>17,142</u>
EXPENDITURES				
Solid Waste	719,431	704,932	671,169	33,763
Street Sanitation	74,886	69,886	14,026	55,860
Bad Debt Expense	5,000	5,000	3,050	1,950
Capital Outlay	195,210	190,210	190,210	-
Debt Service				
Principal Payments	96,510	96,510	109,314	(12,804)
Interest Payments	7,628	8,888	8,887	1
Total Expenditures	<u>1,098,665</u>	<u>1,075,426</u>	<u>996,656</u>	<u>78,770</u>
Excess Revenues Over (Under)				
Expenditures	(213,052)	(178,413)	(82,501)	95,912
OTHER FINANCING SOURCES (USES)				
Transfers In	(22,842)	-	-	-
Loan Proceeds	(190,210)	(190,210)	(190,210)	-
Transfers Out	-	-	(53,126)	(53,126)
Total Other Financing Sources (Uses)	<u>(213,052)</u>	<u>(190,210)</u>	<u>(243,336)</u>	<u>(53,126)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(426,104)	(368,623)	(325,837)	42,786
Net Position - Beginning, GAAP Basis	<u>541,499</u>	<u>541,499</u>	<u>541,499</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>115,395</u>	\$ <u>172,876</u>	215,662	\$ <u>42,786</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(96,591)	
Principal Payments- The City budgets for principal debt payments			109,314	
Capital Outlay - The City budgets for capital outlay.			190,210	
Lease Proceeds - The City budgets for capital lease proceeds.			190,210	
Net Position - Ending, GAAP Basis			\$ <u>608,805</u>	

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Utility Support	\$ 154,520	\$ 154,820	\$ 171,887	\$ 17,067
Interest Revenue	3,000	3,200	3,269	69
Reimbursed Expenses	-	-	9,000	9,000
Total Revenues	<u>157,520</u>	<u>158,020</u>	<u>184,156</u>	<u>26,136</u>
EXPENDITURES				
Administration	94,560	121,046	111,406	9,640
Meter Shop	106,955	55,227	50,783	4,444
Billing-Collection	170,535	183,215	183,561	(346)
Bad Debt Expense	5,000	5,000	5,005	(5)
Capital Outlay	26,313	35,613	117,944	(82,331)
Debt Service				
Principal Payments	2,500	3,940	3,938	2
Interest Payments	3,000	850	849	1
Total Expenditures	<u>408,863</u>	<u>404,891</u>	<u>473,486</u>	<u>(68,595)</u>
Excess of Revenues Over (Under)				
Expenditures	(251,343)	(246,871)	(289,330)	(42,459)
OTHER FINANCING SOURCES (USES)				
Transfers In	225,030	208,419	261,247	52,828
Loan Proceeds	26,313	26,313	(25,962)	(52,275)
Total Other Financing Sources (Uses)	<u>251,343</u>	<u>234,732</u>	<u>235,285</u>	<u>553</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(12,139)	(54,045)	(41,906)
Net Position - Beginning, GAAP Basis	<u>2,847,796</u>	<u>2,847,796</u>	<u>2,847,796</u>	-
Net Position - Ending, Budgetary Basis	\$ <u>2,847,796</u>	\$ <u>2,835,657</u>	2,793,751	\$ <u>(41,906)</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense			(21,093)	
Principal Payments- The City budgets for principal debt payments			3,938	
Capital Outlay - The City budgets for capital outlay.			117,944	
Loan Proceeds - The City normally budgets for loan proceeds			25,962	
Net Position - Ending, GAAP Basis			\$ <u>2,920,502</u>	

CITY OF BRADY, TEXAS

Notes to the Budgetary Comparison Schedules
Proprietary Funds
For the Year Ended September 30, 2014

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

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Economic Development Corporation
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
General Revenues				
Sales Tax Collections	\$ 190,000	\$ 210,000	\$ 228,188	\$ 18,188
Interest Income	895	3,000	9,022	6,022
Loan Income	83,533	75,813	75,813	-
Reimbursed Expenses	50	50	-	(50)
Charges for Services				
Rent Income	48,480	48,480	56,201	7,721
Total Revenues	<u>322,958</u>	<u>337,343</u>	<u>369,224</u>	<u>31,881</u>
EXPENDITURES				
Current				
Marketing	4,321	4,321	2,839	1,482
Professional/Legal Fees	2,500	5,350	5,331	19
Audit Expense	10,500	11,000	11,000	-
Contract for Services	30,000	30,000	30,000	-
Community Development	231,587	231,587	4,500	227,087
Annual Land Lease	-	-	250	(250)
Travel and Training	2,500	5,000	4,626	374
Membership Dues and Fees	4,500	4,500	-	4,500
Insurance	550	550	-	550
Office Supplies	500	500	77	423
Office Equipment	500	500	-	500
Meeting Provisions	1,000	1,000	32	968
Property Taxes	4,000	4,000	1,605	2,395
Building Repairs & Maintenance	-	-	69	(69)
Sundry	500	500	80	420
Bad Debt Expense	-	-	54,792	(54,792)
Interest Expense	30,000	30,000	8,272	21,728
Debt Service				
Principal Payments	-	-	21,728	(21,728)
Interest Payments	-	-	8,272	(8,272)
Total Expenditures	<u>322,958</u>	<u>328,808</u>	<u>153,473</u>	<u>175,335</u>
Excess of Revenues Over (Under)				
Expenditures	-	8,535	215,751	207,216
Net Position - Beginning, GAAP Basis	<u>1,126,928</u>	<u>1,126,928</u>	<u>1,126,928</u>	<u>-</u>
Net Position - Ending, Budgetary Basis	\$ <u>1,126,928</u>	\$ <u>1,135,463</u>	1,342,679	\$ <u>207,216</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The EDC does not budget for depreciation expense			(20,471)	
Loan Income - The EDC normally budgets for loan income			(75,813)	
Loan Proceeds - The EDC normally budgets for loan proceeds			30,000	
Net Position - Ending, GAAP Basis			\$ <u>1,276,395</u>	

CITY OF BRADY, TEXAS

Notes to the Budgetary Comparison Schedules
Economic Development Corporation
For the Year Ended September 30, 2014

Budget Requirements, Accounting, and Reporting

The budget requirements for all funds are as follows:

An annual budget is adopted for all EDC funds. Such budget is based on expected expenditures by program within a fund and estimated resources by source for all funds.

The annual budget may be amended by the EDC before year end. The budget was amended during the fiscal year ending September 30, 2014.

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

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

Budgetary comparison schedules for the EDC is presented as Supplemental Information.

Expenditures Exceeding Budget

The EDC had no expenditures in excess of budgeted amounts for the fiscal year ending September 30, 2014.

CITY OF BRADY, TEXAS

Single Audit Compliance Information
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services Passed Through the Concho Valley Council of Governments			
Title III, Part B - Nutrition Services	93.045	N/A	\$ 32,795
Nutrition Services Incentive Program	93.053	N/A	36,534
Total U.S. Department of Health and Human Services			<u>69,329</u>
U.S. Department of Transportation Passed Through the Concho Valley Council of Governments			
Formula Grants for Other Than Urbanized Areas	20.509	N/A	69,658
Total U.S. Department of Transportation			<u>69,658</u>
U.S. Department of Homeland Security Passed Through the Texas Department of Public Safety			
Hazard Mitigation Grant (PSB Relocation)	97.039	1709-019	121,034 **
Total U.S. Department of Homeland Security			<u>121,034</u>
U.S. Environmental Protection Agency Passed Through the Texas Water Development Board			
Capitalization Grants For Clean Water State Revolving Funds - Grant	66.458	GT #LF1000019	24,812
Capitalization Grants For Drinking Water State Revolving Funds - Grant	66.568	GT #LF100116	196,246
Capitalization Grants For Drinking Water State Revolving Funds - Loan	66.568	GT #LF1000115	51,562
Total U.S. Environmental Protection Agency			<u>272,620</u>
Total Federal Awards Expended			\$ <u>532,641</u>

** Expenditures for the Hazard Mitigation Grant include \$44,142 of expenditures that were incurred in previous periods and \$76,892 of expenditures that were incurred during fiscal year ending September 30, 2014.

CITY OF BRADY, TEXAS

Single Audit Compliance Information
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

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, 2014

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements	
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
Federal Awards	
Internal Control over Major Programs:	
Material Weaknesses	None
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	None
Type of Auditor’s Report Issued on Compliance for Major Programs	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:	Capitalization Grants for Drinking Water State Revolving Fund, CFDA No. 66.568
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	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, 2014

No prior year findings.

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

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

We have audited, in accordance with 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, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brady, Texas (the City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 16, 2015.

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
March 16, 2015



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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, 2014. 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, 2014.

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 types of 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
March 16, 2015

