

CITY OF BRADY, TEXAS

Financial and Compliance Report

For the Year Ended September 30, 2012

CITY OF BRADY, TEXAS

Financial and Compliance Report
For the Year Ended September 30, 2012

TABLE OF CONTENTS	<u>Page</u>
Introductory Section	
City Officials.....	1
Financial Section	
Independent Auditor’s Report.....	2
Management’s Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	17
Statement of Activities.....	18
Fund Financial Statements	
Balance Sheet – Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds.....	26
Statement of Cash Flows – Proprietary Funds.....	28
Notes to the Financial Statements.....	30
Required Supplemental Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
General Fund.....	60
Special Revenue Fund.....	62
Notes to the Budgetary Comparison Schedules.....	63
Texas Municipal Retirement System	
Schedule of Funding Progress (Unaudited)	64

CITY OF BRADY, TEXAS

Financial and Compliance Report
For the Year Ended September 30, 2012

TABLE OF CONTENTS

Page

Supplemental Section

Schedule of Revenues, Expenses and Changes in Net Assets –
Budget and Actual – Proprietary Funds

Sewer and Electric	65
Water	66
Gas	67
Solid Waste	68
Utility Support	69

Notes to the Budgetary Comparison Schedules.....	70
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Single Audit Compliance Information

Schedule of Expenditures of Federal Awards.....	71
---	----

Notes to the Schedule of Expenditures of Federal Awards	72
---	----

Schedule of Findings and Questioned Costs.....	73
--	----

Summary Schedule of Prior Audit Findings.....	74
---	----

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75
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Independent Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	77
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INTRODUCTORY SECTION

CITY OF BRADY, TEXAS

City Officials

Gail Lohn Mayor
Brendan Weatherman..... Mayor Pro Tem/Council Member
Mary Bradshaw Council Member
Linda Lott..... Council Member
Marilyn Gendusa..... Council Member
Missi Davis Council Member
Dale Brown Interim City Manager
Lisa Remini Finance Officer

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, 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

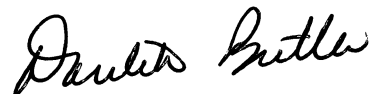
In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 4 through 16, 60 through 63, and 64 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The proprietary fund budgetary comparison information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The proprietary fund budgetary comparison information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements as a whole.

San Antonio, Texas
March 31, 2013



CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2012

As management of the City of Brady, Texas (the City), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with the City's audited financial statements, which follow this section.

Financial Highlights

- ❑ The City's assets exceeded liabilities at September 30, 2012 by \$30,082,527. Of this amount \$7,176,459 or 24% of net assets, is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- ❑ The City's Total Net Assets increased by \$1,915,910 during the year.
- ❑ The total cost of all the City's programs was \$16,330,546, representing a slight decline from last year by \$528,620 or 3%.
- ❑ During the year, the City had operating expenses of \$7,816,688 for governmental activities, which was \$2,954,702 more than the \$4,861,986 generated in program and general revenues. Once budgeted transfers from business-type activities of \$2,721,135 are recognized, governmental net assets reflect a 2.5% decrease in the amount of \$233,567.
- ❑ The City's business-type activities, after transfers to the general fund, reflect an increase in business-type net assets by \$2,149,477.
- ❑ The City reduced its' total long-term debt obligations by \$520,267 or 6.7%.

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

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2012

Reporting the City as a Whole

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

- ❑ The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets 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 Assets and the Statement of Activities, we divide the City into two types of activities:

- ❑ **Governmental activities-** Most of the City's basic services are reported here, including the Police, EMS, Fire, Public Parks, Golf Course, Airport, Streets, Municipal Court, and General Administration. Property taxes, sales taxes, franchise fees, and service fees 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, and Solid Waste, departments are reported here.

CITY OF BRADY, TEXAS

Management’s Discussion and Analysis
For the Year Ended September 30, 2012

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As stated earlier, net assets 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 2011, as city net assets increased by \$1,915,910 or 6.8%. The largest part of the City’s net assets reflects its investment in capital assets (land, buildings and improvements, infrastructure assets, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 2% of the City’s governmental net assets are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets at \$1,149,631 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 assets, both for the government as whole as well as business-type activities.

Total primary net activities of the City as a whole resulted in an increase in net assets for the fiscal year for a net value of \$30,082,527. The City’s total unrestricted net assets in the amount of \$7,176,459 that can be used to finance day-to-day operations increased 18.5% compared to last year’s balance.

The following reflects a comparative condensed Statement of Net Assets:

Net Assets as of September 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 1,907,497	\$ 1,219,353	\$ 6,789,867	\$ 5,711,313	\$ 8,697,364	\$ 6,930,666
Capital and Other Long-term Assets	10,602,085	11,141,265	20,406,132	19,832,726	31,008,217	30,973,991
Total Assets	12,509,582	12,360,618	27,195,999	25,544,039	39,705,581	37,904,657
Current Liabilities	1,086,616	648,508	1,061,923	1,411,379	2,148,539	2,059,887
Non-Current Liabilities	2,163,015	2,218,592	5,311,500	5,459,561	7,474,515	7,678,153
Total Liabilities	3,249,631	2,867,100	6,373,423	6,870,940	9,623,054	9,738,040
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	7,910,730	8,220,587	14,217,525	13,517,843	22,128,255	21,738,430
Restricted	199,590	261,300	578,223	113,010	777,813	374,310
Unrestricted	1,149,631	1,011,631	6,026,828	5,042,246	7,176,459	6,053,877
TOTAL NET ASSETS	\$ 9,259,951	\$ 9,493,518	\$ 20,822,576	\$ 18,673,099	\$ 30,082,527	\$ 28,166,617

CITY OF BRADY, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2012

Statement of Activities

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

Statement of Activities						
for the Fiscal Year Ending September 30, 2012 and 2011						
	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	\$ 1,908,717	2,250,733	\$ 13,386,507	13,537,422	\$ 15,295,224	15,788,155
Grants and Contributions	1,106,486	829,724	-	18,331	1,106,486	848,055
General Revenues:						
Property Taxes	577,066	532,343	-	-	577,066	532,343
Sales Taxes	994,716	962,418	-	-	994,716	962,418
Other Taxes	218,719	215,455	-	-	218,719	215,455
Investment Earnings	53,902	39,030	29,673	29,389	83,575	68,419
Other Revenue	4,225	349,510	55	228,923	4,280	578,433
Gain(Loss) on Disposal of Assets	(1,845)	-	(31,765)	-	(33,610)	-
TOTAL REVENUES	4,861,986	5,179,213	13,384,470	13,814,065	18,246,456	18,993,278
Expenses						
Utility Enterprises	-	-	8,513,858	8,972,797	8,513,858	8,972,797
General Government	856,164	764,812	-	-	856,164	764,812
Public Safety	2,818,311	2,719,594	-	-	2,818,311	2,719,594
Streets	672,539	667,463	-	-	672,539	667,463
Recreation and Leisure	2,542,133	2,956,081	-	-	2,542,133	2,956,081
Community Development	761,874	696,879	-	-	761,874	696,879
Interest and Amortization	165,667	81,540	-	-	165,667	81,540
TOTAL EXPENSES	7,816,688	7,886,369	8,513,858	8,972,797	16,330,546	16,859,166
Excess (Deficiency) before Transfers	(2,954,702)	(2,707,156)	4,870,612	4,841,268	1,915,910	2,134,112
Transfers	2,721,135	3,256,692	(2,721,135)	(3,256,692)	-	-
Increase (Decrease) in Net Assets	(233,567)	549,536	2,149,477	1,584,576	1,915,910	2,134,112
Net Assets - Beginning	9,493,518	8,943,982	18,673,099	17,088,523	28,166,617	26,032,505
Net Assets - Ending	\$ 9,259,951	\$ 9,493,518	\$ 20,822,576	\$ 18,673,099	\$ 30,082,527	\$ 28,166,617

CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2012

Total Primary Government Activities

Overall, total primary government revenues for fiscal year 2012 declined by \$746,822 or 4% compared to fiscal year 2011 due primarily to a decline in charges for services revenues in the amount of \$492,931 collectively for governmental and business-type activities.

Overall, total primary government expenditures decreased as well, by 3%, or \$528,620; primarily as the result of reduced business-type activities costs in the amount of \$458,939.

Governmental Activities

The result of fiscal year 2012 governmental activity records a decrease of \$233,567 in net assets, to \$9,259,951. Of the total governmental activities' net assets, \$7,910,730 is invested in capital assets net of related debt, and \$1,149,631 is unrestricted, that is, having no legal commitment.

Governmental activities reflect a 15% decline in charge for services revenue due largely to fewer military fuel sales in the amount of \$257,308 compared to last year, \$50,573 less fee revenue from the Lake activities, and reduced EMS service collections of \$44,285.

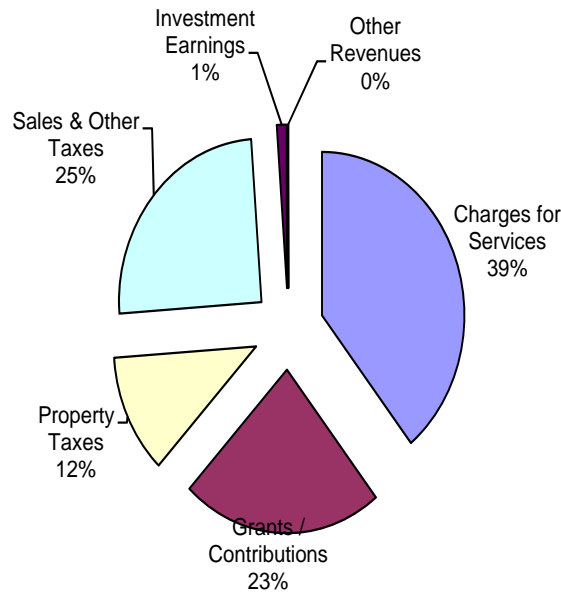
The City continues to secure grant awards, and was given \$1,106,486 or \$276,762 more than last fiscal year, to fund specific capital infrastructure improvements during the fiscal year 2012. Sales tax revenues continue an upward trend, reflecting a modest 3% increase, or \$32,298 more compared to 2011 collections.

Recreation and Leisure activity costs decline by \$413,948 due to fewer aviation fuel purchases, and reduced repair and expense costs associated with the Lake and Golf course operations. However, this was offset by \$344,267 increase in all other governmental expenditures. Therefore, total governmental expenditures compare similarly to last year totals, recording only a small decline of \$69,681.

CITY OF BRADY, TEXAS

Management’s Discussion and Analysis
For the Year Ended September 30, 2012

Revenues – Governmental Activities Fiscal Year Ending September 30, 2012



For fiscal year 2012, the majority of governmental revenues are derived from three revenue sources: charges for services, sales and other taxes, and grants/contributions. Collectively, they provided for 87% 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 \$859,360 or 45% of the \$1,908,717 total amount collected for services this year. Fuel sales to the military continue to comprise a significant portion of the airports’ revenues. EMS services generated \$505,581 or 27% of the total dollars charged for services this year. The Lake Department generated \$148,096 in rental fees and donations. 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 28% of total service charge revenues.

The City received \$994,716 in sales tax revenues, which is a 3% increase from last year’s total collections. Included in other taxes are motel tax collections at \$168,910 that was passed on to the Chamber of Commerce, Heart of Texas (HOT) Historical museum, and HOT Country Music museum for the promotion of tourism to enhance sales tax dollars to the City.

Grant/Contribution revenue increased by \$276,762 from last year primarily due to the fact that the construction of the federally funded public service building was started in fiscal year 2012.

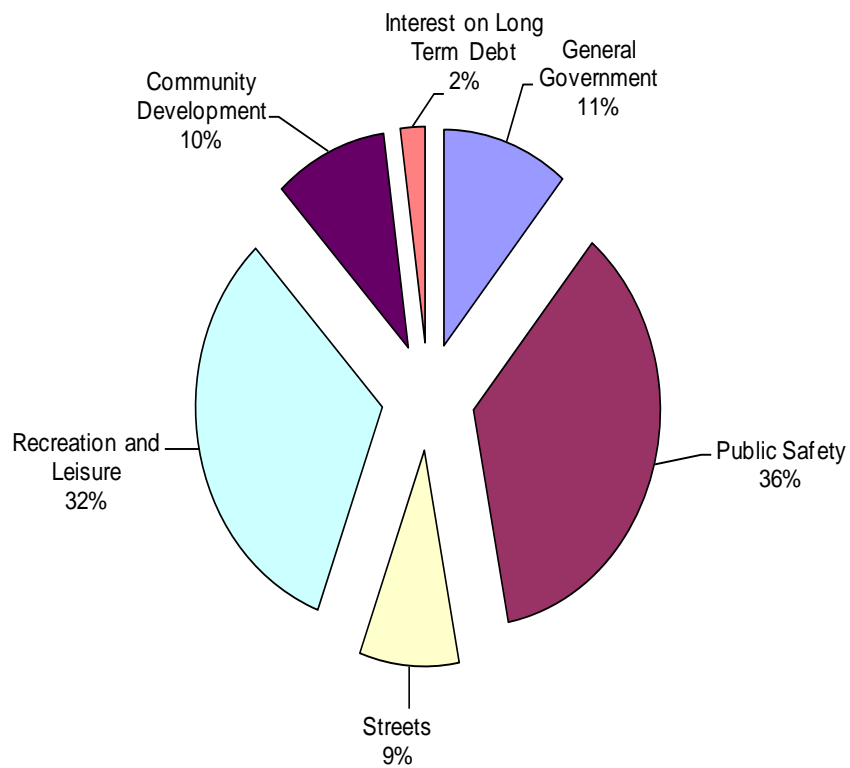
CITY OF BRADY, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2012

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

The City maintains a low property tax rate at \$0.27 cents per \$100 of 2011 values; and collected \$577,066 in property tax revenue.

Expenses – Governmental Activities Fiscal Year Ending September 30, 2012



CITY OF BRADY, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2012

The relative mix of governmental expenditure activities remains similar to last fiscal year. Recreation and leisure is the largest governmental activity, expending \$2,542,133 of the \$7,816,688 total costs for all governmental programs. The airport, parks, golf course, swimming pool, civic center, lake, and G. Rollie White complex are included in this category.

Public safety is the second largest expense category, utilizing \$2,818,311 of total governmental funds. The fire, EMS, police, animal control, municipal court, and building and inspection departments are included in this category.

The remaining 32% of expenditures is closely divided among general and administrative costs totaling \$856,164, community development totaling \$761,874, and street maintenance totaling \$672,539.

Business-Type Activities

The business-type activities increased the City's net assets by \$2,149,477.

Of the total business-type activities' net assets, \$14,217,525 is invested in capital assets net of related debt, and \$6,026,828 is unrestricted, that is, having no legal commitment. In addition, the City maintains fully funded restricted reserve levels of \$134,326 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 declined by 5% to \$8,513,858. As shown in the statement of activities, the amounts charged to users of the utility services totaled \$13,386,507. Due to dry, hot weather conditions, consumption sales compare similarly to last year, reflecting only a slight 1% decline or \$150,915 in total services charged for the business-type activities. Additional revenue sources included investment earnings of \$29,673. Therefore, excess revenues over expenditures for the year was \$4,870,612.

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 \$2,721,135 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, 2012

Reporting the City's Most Significant Funds

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

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in near future to finance the City's programs. We describe the relationship between governmental activities (reported in the Statement of Net Assets 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 Assets 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 assets and the statement of activities are therefore designed to reflect the value of all capital assets of the City, so that the total net asset 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, 2012

FUND FINANCIAL ANALYSIS

Governmental Type Funds

The City reports a combined governmental fund balance of \$1,270,526, reflecting an increase of \$60,929 in comparison with the previous year. Unassigned fund balance equals \$1,028,121 and is available for spending at the government's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed to provide payment for long-term debt obligations and community projects.

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

Business Type Funds

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

All funds recorded a positive net change in assets for fiscal year 2012 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.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2012

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget is a dynamic document. Once adopted in September 2011, 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 total general fund revenues exceeded final budget projections by \$112,498 and total expenditures were under budget by \$332,900 for a net positive variance to the final budget of \$445,398 before transfers.

The original revenue projections for the general fund budget were adjusted slightly downward at the mid-year budget review by \$19,708. Due to lower than expected expenditure costs, budgeted transfers from the utility funds to support the general fund operations were less than expected by \$407,743.

The original expenditure projections for the general fund budget were also adjusted mid-year by adding an additional \$130,897 to the fiscal year 2012 projected expenditures. The budget was primarily adjusted to reflect increased aviation fuel purchases, and the City's continued commitment to the Willie Washington park and lake improvements and ATV park. Overall, year-end actual performance was less than the final budget numbers, as mid-year cost projections did not fully materialize. Construction of the Willie Washington park improvements were not completed, and contingency costs did not materialize.

CAPITAL ASSET AND DEBT ADMINISTRATION

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, 2012 is \$29,505,448, net of accumulative depreciation. The majority, 85%, of the City's capital assets is invested in buildings, improvements, and infrastructure.

Governmental activities report the addition of \$1,055,590 in various capital enhancements including infrastructure improvements to the municipal airport, parks, and golf course, the placement of generators at city hall, fire/EMS, and police stations, a new ambulance, vehicles for the parks and police departments, and various equipment purchases.

Business activities report the addition of \$724,171 in capital assets. Various infrastructure improvements were made in the electric, water, and solid waste departments, and two vehicles and two mowers were purchased.

CITY OF BRADY, TEXAS

Management’s Discussion and Analysis
For the Year Ended September 30, 2012

The City’s fiscal year 2013 capital budget calls for spending \$8,043,187 for capital projects, which includes \$74,500 for the governmental activities and \$7,968,687 for the business-type activities. Budgeted funding sources for these capital projects include \$1,748,000 in grant awards, \$577,100 from current revenues, and the issuance of \$5,718,087 in debt.

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

Debt Administration

At September 30, 2012, the City’s total bonds, notes and capital leases outstanding reflect a decline by \$520,267. In reviewing Governmental Activities, two equipment notes in the amount of \$206,942 were issued. In reviewing Business-type Activities, two vehicle notes in the amount of \$50,615 were issued.

In addition, the City issued General Obligation Refunding bonds in the amount of \$1,560,000 by refunding CO 2003, 2004 and Tax Note 2007 to take advantage of interest savings in the amount of \$76,814.

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, 2012:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General Obligation Refunding Bonds	\$ 1,979,200	\$ 1,955,000	\$ 30,800	\$ -	\$ 2,010,000	\$ 1,955,000
Certificates of Obligations	-	-	4,360,000	4,680,000	4,360,000	4,680,000
Notes to Financial Institutions	36,000	146,000	-	-	36,000	146,000
Infrastructure Lease Notes	-	-	-	349,607	-	349,607
Equipment Lease Notes	398,518	342,830	487,845	339,195	886,363	682,025
Total Bonds, Notes, and Capital Leases	\$ 2,413,718	\$ 2,443,830	\$ 4,878,645	\$ 5,368,802	\$ 7,292,363	\$ 7,812,632

Total compensated absences for Governmental Activities are \$65,413 and \$25,535 for Business Activities.

CITY OF BRADY, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2012

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's elected and appointed officials considered many factors when setting the fiscal year 2013 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 manufacturers of sand products. The economic outlook for Brady/McCulloch County is considered mostly stable. Gasoline prices continue its' volatility and is considered a major force in driving the cost of goods beyond historical averages. These indicators were taken into account when adopting the General Fund budget for fiscal year 2013. Council chose to reduce the Electric rate by \$0.01 cent across all rate classes and adopted cost efficiencies to support the 2013 Budget. The Council adopted a balanced budget to ensure a stable fund balance position is maintained.

Request for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF BRADY, TEXAS

Statement of Net Assets
September 30, 2012

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	TOTAL
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,244,219	\$ 5,767,607	\$ 7,011,826
Receivables, Net of Allowances	561,316	866,582	1,427,898
Prepaid Expenses	59,147	153,994	213,141
Inventory	42,815	1,684	44,499
Total Current Assets	1,907,497	6,789,867	8,697,364
Noncurrent Assets			
Restricted Cash and Cash Equivalents	197,937	1,196,699	1,394,636
Bond Insurance Premium, Net of Amortization	4,776	2,571	7,347
Bond Issuance Costs, Net of Amortization	74,923	25,863	100,786
Land	728,734	84,829	813,563
Construction in Progress	190,242	577,569	767,811
Property and Equipment, Net of Depreciation	9,405,473	18,518,601	27,924,074
Total Noncurrent Assets	10,602,085	20,406,132	31,008,217
Total Assets	12,509,582	27,195,999	39,705,581
LIABILITIES			
Current Liabilities			
Accounts Payable	713,875	587,676	1,301,551
Accrued Expenses	5,066	1,051	6,117
Interest Payable	10,214	8,256	18,470
Other Payables	-	29,043	29,043
Bonds, Notes, and Leases Payable	357,461	435,897	793,358
Total Current Liabilities	1,086,616	1,061,923	2,148,539
Noncurrent Liabilities			
Accrued Compensated Absences	65,413	25,535	90,948
Bond Premium, Net of Amortization	41,344	844	42,188
Landfill Closure	-	223,897	223,897
Customer Deposits	-	618,476	618,476
Bonds, Notes, and Leases Payable	2,056,258	4,442,748	6,499,006
Total Noncurrent Liabilities	2,163,015	5,311,500	7,474,515
Total Liabilities	3,249,631	6,373,423	9,623,054
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,910,730	14,217,525	22,128,255
Restricted Net Assets	199,590	578,223	777,813
Unrestricted Net Assets	1,149,631	6,026,828	7,176,459
Total Net Assets	\$ 9,259,951	\$ 20,822,576	\$ 30,082,527

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

CITY OF BRADY, TEXAS

Statement of Activities
For the Year Ended September 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Administration	\$ 556,769	\$ 55,344	\$ -	\$ -
Airport	1,343,880	859,360	-	50,000
Public Property Maintenance	410,767	41,916	-	-
Mayor and Council	29,011	447	-	-
Golf Course	315,220	126,341	12,034	-
Swimming Pool	93,123	19,317	-	-
Fire Department	732,168	13,339	80,000	-
Police Department	1,029,614	3,446	50,050	-
Emergency Operations	56,931	-	15,000	-
Street Department	672,539	2,012	-	-
Civic Center	18,499	12,800	-	-
Municipal Court	78,503	66,403	-	-
Community Services	58,142	-	-	-
Repair Shop	55,294	-	-	-
Animal Control	54,757	2,421	-	-
EMS	736,961	505,581	169,941	-
Lake Department	333,143	148,096	-	-
Financial Administration	215,090	40	-	-
Building Inspection and Permits	129,377	16,524	-	-
G. Rollie White Complex	27,501	3,602	-	-
Special Revenue Fund	703,732	31,728	203,580	525,881
Interest on Long-Term Debt	121,515	-	-	-
Amortization	44,152	-	-	-
Total Governmental Activities	7,816,688	1,908,717	530,605	575,881
Business-Type Activities				
Sewer	392,771	693,161	-	-
Electric	5,109,749	8,426,110	-	-
Water	1,229,186	1,823,639	-	-
Gas	705,736	1,399,912	-	-
Solid Waste	783,496	873,240	-	-
Utility Support	292,920	170,445	-	-
Total Business-Type Activities	8,513,858	13,386,507	-	-
Total Primary Government	\$ 16,330,546	\$ 15,295,224	\$ 530,605	\$ 575,881
General Revenues				
Taxes				
Property Taxes, Levied for General Purposes				
Sales Taxes				
Franchise Taxes				
Mixed Beverage Taxes				
Hotel Occupancy Taxes				
Interest Revenue				
Miscellaneous				
Gain (Loss) on the Disposal of Capital Assets				
Transfers				
Total General Revenues, Special Items, and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental</u>	<u>Business-</u>	
<u>Activities</u>	<u>Type</u>	
	<u>Activities</u>	<u>Total</u>
\$ (501,425)	\$ -	\$ (501,425)
(434,520)	-	(434,520)
(368,851)	-	(368,851)
(28,564)	-	(28,564)
(176,845)	-	(176,845)
(73,806)	-	(73,806)
(638,829)	-	(638,829)
(976,118)	-	(976,118)
(41,931)	-	(41,931)
(670,527)	-	(670,527)
(5,699)	-	(5,699)
(12,100)	-	(12,100)
(58,142)	-	(58,142)
(55,294)	-	(55,294)
(52,336)	-	(52,336)
(61,439)	-	(61,439)
(185,047)	-	(185,047)
(215,050)	-	(215,050)
(112,853)	-	(112,853)
(23,899)	-	(23,899)
57,457	-	57,457
(121,515)	-	(121,515)
(44,152)	-	(44,152)
<u>(4,801,485)</u>	<u>-</u>	<u>(4,801,485)</u>
-	300,390	300,390
-	3,316,361	3,316,361
-	594,453	594,453
-	694,176	694,176
-	89,744	89,744
-	(122,475)	(122,475)
<u>-</u>	<u>4,872,649</u>	<u>4,872,649</u>
(4,801,485)	4,872,649	71,164
577,066	-	577,066
994,716	-	994,716
48,991	-	48,991
818	-	818
168,910	-	168,910
53,902	29,673	83,575
4,225	55	4,280
(1,845)	(31,765)	(33,610)
<u>2,721,135</u>	<u>(2,721,135)</u>	<u>-</u>
<u>4,567,918</u>	<u>(2,723,172)</u>	<u>1,844,746</u>
(233,567)	2,149,477	1,915,910
9,493,518	18,673,099	28,166,617
<u>\$ 9,259,951</u>	<u>\$ 20,822,576</u>	<u>\$ 30,082,527</u>

CITY OF BRADY, TEXAS

Balance Sheet
 Governmental Funds
 September 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,312,358	\$ 129,798	\$ 1,442,156
Receivables, Net of Allowances			
Property Taxes	69,267	-	69,267
Accounts	105,192	386,857	492,049
Inventory	42,815	-	42,815
TOTAL ASSETS	<u>\$ 1,529,632</u>	<u>\$ 516,655</u>	<u>\$ 2,046,287</u>
LIABILITIES			
Accounts Payable	\$ 328,940	\$ 384,935	\$ 713,875
Accrued Expenses	5,066	-	5,066
Deferred Revenues	56,820	-	56,820
Total Liabilities	<u>390,826</u>	<u>384,935</u>	<u>775,761</u>
FUND BALANCES			
Fund Balance:			
Nonspendable	42,815	-	42,815
Restricted	67,870	131,720	199,590
Unassigned	1,028,121	-	1,028,121
Total Fund Balance	<u>1,138,806</u>	<u>131,720</u>	<u>1,270,526</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,529,632</u>	<u>\$ 516,655</u>	

Amounts reported for governmental activities in statement of net assets 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 \$10,130,567	10,324,449
Interest prepaid on debt issuance	59,147
Bond insurance premium, net of amortization	4,776
Bond issuance costs, net of amortization	74,923

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

56,820

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

Notes, bonds, and capital leases	(2,413,719)
Bond premium, net of amortization	(41,344)
Interest payable	(10,214)
Accrued Compensated Absences	(65,413)

Net Assets of Governmental Activities	\$	<u>9,259,951</u>
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The Accompanying Notes are an Integral Part of These Financial Statements.

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Tax	\$ 595,479	\$ -	\$ 595,479
Sales Tax	799,891	194,825	994,716
Franchise Tax	48,991	-	48,991
Occupancy Tax	-	168,910	168,910
Mixed Beverage Tax	818	-	818
Interest Income	55,221	-	55,221
Miscellaneous Revenue	4,225	-	4,225
Reimbursed Expenses	40,116	15	40,131
Administrative	44,919	-	44,919
Airport	858,815	-	858,815
Public Property Maintenance	39,299	-	39,299
Golf Course	124,641	-	124,641
Swimming Pool	19,317	-	19,317
Fire Department	89,381	-	89,381
Police Department	50,761	-	50,761
Emergency Operations	15,000	-	15,000
Street Department	10	-	10
Civic Center	12,800	-	12,800
Pass-Through Services	-	4,801	4,801
Senior Citizen Program	-	31,713	31,713
Municipal Court	66,403	-	66,403
Animal Control	2,421	-	2,421
City/County EMS	675,382	-	675,382
Lake Department	132,739	-	132,739
G.R. White Complex	3,602	-	3,602
Building Inspection and Permits	16,324	-	16,324
Donations	12,084	5,463	17,547
Grant Revenues	50,000	719,197	769,197
Total Revenues	<u>3,758,639</u>	<u>1,124,924</u>	<u>4,883,563</u>

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

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended September 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
EXPENDITURES			
Current			
Administration	\$ 536,322	\$ -	\$ 536,322
Airport	859,952	-	859,952
Public Property Maintenance	305,675	-	305,675
Mayor and Council	29,011	-	29,011
Golf Course	291,649	-	291,649
Swimming Pool	93,123	-	93,123
Fire Department	718,831	-	718,831
Police Department	959,999	-	959,999
Emergency Operations	56,831	-	56,831
Street Department	397,600	-	397,600
Civic Center	16,790	-	16,790
Pass-Through Services	-	391,536	391,536
Senior Citizens Program	-	293,819	293,819
Municipal Court	77,243	-	77,243
Community Services	58,142	-	58,142
Repair Shop	55,710	-	55,710
Animal Control	49,443	-	49,443
City/County EMS	651,319	-	651,319
Lake Department	299,666	-	299,666
G.R. White Complex	23,873	-	23,873
Financial Administration	214,774	-	214,774
Community Development	-	18,449	18,449
Building Inspection and Permits	130,949	-	130,949
Grant Expenditures	-	-	-
Capital Outlay	590,610	715,978	1,306,588
Debt Service	-	-	-
Principal	351,853	-	351,853
Interest	176,691	-	176,691
Total Expenditures	<u>6,946,056</u>	<u>1,419,782</u>	<u>8,365,838</u>
Excess of Revenues Over (Under) Expenditures	(3,187,417)	(294,858)	(3,482,275)
Other Financing Sources and Uses			
Bond Issuance Costs	(67,728)	-	(67,728)
Bond Premium	43,496	-	43,496
Bond Proceeds	1,528,800	-	1,528,800
Payment to Bond Escrow Agent	(1,414,000)	-	(1,414,000)
Lease Proceeds	206,942	-	206,942
Transfers In	3,012,635	233,059	3,245,694
Total Other Financing Sources and Uses	<u>3,310,145</u>	<u>233,059</u>	<u>3,543,204</u>
Net Change in Fund Balances	122,728	(61,799)	60,929
Fund Balance, Beginning of Year	<u>1,016,078</u>	<u>193,519</u>	<u>1,209,597</u>
Fund Balance, End of Year	<u>\$ 1,138,806</u>	<u>\$ 131,720</u>	<u>\$ 1,270,526</u>

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

CITY OF BRADY, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended September 30, 2012

Reconciliation of the change in fund balance - total governmental fund to the change in net assets of governmental activities:

Net Change in Fund Balances - Total Governmental Funds \$ 60,929

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	1,306,588
Depreciation Expense	(1,120,151)

Gains/Losses on fixed asset disposals do not provide or use current financial resources and are therefore not reported in the funds. (1,845)

Transfers of capital assets between the governmental activities and business-type activities are not a use of financial resources and are therefore not reported in the governmental funds. (524,559)

Lease and bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Lease Proceeds	(206,942)
Bond Proceeds	(1,528,800)
Bond Premium	(43,496)
Bond Retirement	1,414,000
Bond and Lease Principal Payments	351,853
Bond Issuance Costs	67,728
Prepaid Interest on Refunded Bond	59,147
Deferred Interest on Refunded Bond	(3,637)
Amortization of Bond Premium	2,152
Amortization of Bond Issuance Costs and Insurance Premium	(44,152)

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

Property Tax Revenue	(18,413)
Interest Income	(1,319)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Interest Expense	(2,487)
Accrued Compensated Absences	(163)

Change in Net Assets of Governmental Activities \$ (233,567)

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

CITY OF BRADY, TEXAS

Statement of Net Assets
 Proprietary Funds
 September 30, 2012

	Sewer and Electric	Water Department	Gas Department	Solid Waste
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 2,271,651	\$ 1,776,880	\$ 1,118,995	\$ 377,573
Receivables:				
Accounts, net	660,725	108,768	27,472	40,093
Other	-	-	-	-
Interest	-	-	-	-
Inventory	-	-	-	-
Prepaid Expenses	-	1,684	-	-
Total Current Assets	<u>2,932,376</u>	<u>1,887,332</u>	<u>1,146,467</u>	<u>417,666</u>
Noncurrent Assets				
Restricted Assets:				
Cash and Cash Equivalents	-	354,326	-	223,897
Bond Insurance Premium, net of amortization	2,571	-	-	-
Bond Issuance Costs, net of amortization	5,394	20,469	-	-
Capital Assets:				
Land	12,397	4,532	500	67,400
Construction in Progress	35,711	16,564	-	-
Property & Equipment	7,736,580	18,480,094	2,434,501	1,344,951
Accumulated Depreciation	(5,301,627)	(4,311,364)	(1,015,299)	(962,577)
Total Noncurrent Assets	<u>2,491,026</u>	<u>14,564,621</u>	<u>1,419,702</u>	<u>673,671</u>
Total Assets	<u>5,423,402</u>	<u>16,451,953</u>	<u>2,566,169</u>	<u>1,091,337</u>
LIABILITIES				
Current				
Accounts Payable	429,369	88,748	18,231	25,895
Accrued Expenses	1,051	-	-	-
Interest Payable	135	7,292	188	641
Other Payables	-	-	-	-
Bonds, Notes and Loans Payable	25,299	295,400	22,506	92,692
Total Current Liabilities	<u>455,854</u>	<u>391,440</u>	<u>40,925</u>	<u>119,228</u>
Noncurrent				
Accrued Compensated Absences	9,700	3,276	6,621	5,620
Bond Premium, Net of Amortization	-	844	-	-
Landfill Closure	-	-	-	223,897
Utility Deposits	-	-	-	-
Bonds, Notes and Loans Payable	73,841	4,095,400	31,490	242,017
Total Noncurrent Liabilities	<u>83,541</u>	<u>4,099,520</u>	<u>38,111</u>	<u>471,534</u>
Total Liabilities	<u>539,395</u>	<u>4,490,960</u>	<u>79,036</u>	<u>590,762</u>
NET ASSETS				
Invested in Capital Assets, net of related debt	2,371,524	9,794,494	1,365,206	47,665
Restricted Net Assets	-	354,326	-	223,897
Unrestricted Net Assets	<u>2,512,483</u>	<u>1,812,173</u>	<u>1,121,927</u>	<u>229,013</u>
Total Net Assets	<u>\$ 4,884,007</u>	<u>\$ 11,960,993</u>	<u>\$ 2,487,133</u>	<u>\$ 500,575</u>

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

<u>Utility Support</u>	<u>Totals</u>
\$ 222,508	\$ 5,767,607
7,438	844,496
21,984	21,984
102	102
153,994	153,994
-	1,684
<u>406,026</u>	<u>6,789,867</u>
618,476	1,196,699
-	2,571
-	25,863
-	84,829
525,294	577,569
437,852	30,433,978
(324,510)	(11,915,377)
<u>1,257,112</u>	<u>20,406,132</u>
<u>1,663,138</u>	<u>27,195,999</u>
25,433	587,676
-	1,051
-	8,256
29,043	29,043
-	435,897
<u>54,476</u>	<u>1,061,923</u>
318	25,535
-	844
-	223,897
618,476	618,476
-	4,442,748
<u>618,794</u>	<u>5,311,500</u>
<u>673,270</u>	<u>6,373,423</u>
638,636	14,217,525
-	578,223
<u>351,232</u>	<u>6,026,828</u>
<u>\$ 989,868</u>	<u>\$ 20,822,576</u>

CITY OF BRADY, TEXAS

Statement of Revenues, Expenses, and Changes in Net Assets
 Proprietary Funds
 For the Year Ended September 30, 2012

	Sewer and Electric	Water Department	Gas Department	Solid Waste
OPERATING REVENUES				
Charges for Services:				
Electrical Distribution	\$ 8,399,895	\$ -	\$ -	\$ -
Wastewater	693,161	-	-	-
Water Department	-	1,803,795	-	-
Gas Department	-	-	1,399,253	-
Solid Waste	-	-	-	837,601
Utility Support	-	-	-	-
Miscellaneous Revenues	-	-	-	25
Reimbursed Expenses	26,215	19,844	659	35,639
Total Operating Revenues	<u>9,119,271</u>	<u>1,823,639</u>	<u>1,399,912</u>	<u>873,265</u>
OPERATING EXPENSES				
Sewer and Electric				
Power Plant	2,309	-	-	-
Electrical Distribution	4,938,407	-	-	-
Wastewater	306,515	-	-	-
Water Department	-	801,999	-	-
Gas Department	-	-	608,265	-
Solid Waste	-	-	-	693,922
Utility Support:				
Administration	-	-	-	-
Meter Shop	-	-	-	-
Billing-Collection	-	-	-	-
Bad Debt Expense	50,153	11,500	6,721	5,132
Amortization	22,254	1,342	-	-
Depreciation	175,409	390,436	85,368	75,366
Total Operating Expenses	<u>5,495,047</u>	<u>1,205,277</u>	<u>700,354</u>	<u>774,420</u>
Operating Income (Loss)	3,624,224	618,362	699,558	98,845
NON-OPERATING REVENUES (EXPENSES)				
Gain (Loss) on the Disposal of Capital Assets	-	(36,765)	5,000	-
Interest Income	5,526	12,035	1,954	3,040
Interest Expense	(7,473)	(23,909)	(5,382)	(9,076)
Total Non-Operating Revenues (Expenses)	<u>(1,947)</u>	<u>(48,639)</u>	<u>1,572</u>	<u>(6,036)</u>
Income (Loss) Before Transfers	3,622,277	569,723	701,130	92,809
Capital Contributions from Governmental Activities	-	16,564	-	11,703
Transfers In	7,776	-	6,027	-
Transfers Out	<u>(2,667,274)</u>	<u>(334,910)</u>	<u>(400,000)</u>	<u>-</u>
Change in Net Assets	962,779	251,377	307,157	104,512
Total Net Assets - Beginning	<u>3,921,228</u>	<u>11,709,616</u>	<u>2,179,976</u>	<u>396,063</u>
Total Net Assets - Ending	<u>\$ 4,884,007</u>	<u>\$ 11,960,993</u>	<u>\$ 2,487,133</u>	<u>\$ 500,575</u>

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

	<u>Utility Support</u>		<u>Totals</u>
\$	-	\$	8,399,895
	-		693,161
	-		1,803,795
	-		1,399,253
	-		837,601
	170,445		170,445
	30		55
	-		82,357
	<u>170,475</u>		<u>13,386,562</u>
	-		2,309
	-		4,938,407
	-		306,515
	-		801,999
	-		608,265
	-		693,922
	54,912		54,912
	87,330		87,330
	133,048		133,048
	5,121		78,627
	-		23,596
	<u>12,509</u>		<u>739,088</u>
	<u>292,920</u>		<u>8,468,018</u>
	(122,445)		4,918,544
	-		(31,765)
	7,118		29,673
	-		(45,840)
	<u>7,118</u>		<u>(47,932)</u>
	(115,327)		4,870,612
	496,291		524,558
	142,688		156,491
	-		(3,402,184)
	<u>523,652</u>		<u>2,149,477</u>
	<u>466,216</u>		<u>18,673,099</u>
\$	<u><u>989,868</u></u>	\$	<u><u>20,822,576</u></u>

CITY OF BRADY, TEXAS

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2012

	Sewer and Electric	Water	Gas	Solid Waste
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 8,868,879	\$ 1,831,293	\$ 1,411,074	\$ 825,107
Payments to Suppliers	(4,864,734)	(533,347)	(467,599)	(331,911)
Payments to Employees for Services	(354,923)	(183,640)	(109,866)	(209,804)
Payments on Behalf of Employees for Benefits	(82,413)	(38,895)	(37,336)	(77,847)
Receipts (Refunds) of Customer Deposits	-	-	-	-
Other Receipts (Payments)	(10,381)	-	-	-
Net Cash Provided By Operating Activities	<u>3,556,428</u>	<u>1,075,411</u>	<u>796,273</u>	<u>205,545</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers from Other Funds	-	-	-	-
Operating Subsidies and Transfers to Other Funds	(2,666,069)	(322,314)	(400,000)	-
Net Cash Provided By Noncapital Financing Activities	<u>(2,666,069)</u>	<u>(322,314)</u>	<u>(400,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Receipt of Bond Proceeds	-	31,200	-	-
Receipt of Bond Premiums	-	888	-	-
Receipt of Capital Lease Proceeds	26,560	-	24,055	198,885
Purchases of Capital Assets and Construction in Progress	(147,558)	(182,586)	(24,055)	(198,885)
Bond Issuance Costs	-	(1,383)	-	-
Principal Paid on Capital Debt	(171,231)	(422,967)	(114,853)	(49,369)
Interest Paid on Capital Debt	(8,682)	(26,655)	(5,430)	(9,191)
Net Cash Used For Capital & Related Financing Activities	<u>(300,911)</u>	<u>(601,503)</u>	<u>(120,283)</u>	<u>(58,560)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends	5,526	12,035	1,954	3,040
Net Cash Provided By Investing Activities	<u>5,526</u>	<u>12,035</u>	<u>1,954</u>	<u>3,040</u>
Net Increase (Decrease) In Cash & Cash Equivalents	594,974	163,629	277,944	150,025
Balances - Beginning of the Year	<u>1,676,677</u>	<u>1,967,577</u>	<u>841,051</u>	<u>451,445</u>
Balances - End of the Year	<u>\$ 2,271,651</u>	<u>\$ 2,131,206</u>	<u>\$ 1,118,995</u>	<u>\$ 601,470</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 3,624,224	\$ 618,362	\$ 699,558	\$ 98,845
Adjustments To Reconcile Operating Income To Net Cash Provided				
(Used) by Operating Activities:				
Depreciation Expense	175,409	390,436	85,368	75,366
Bad Debt Expense	50,153	11,500	6,721	5,132
Amortization Expense	22,254	1,342	-	-
Change In Assets & Liabilities:				
Accounts Receivable	(224,177)	7,654	11,821	(12,519)
Other Receivables	-	-	-	-
Inventories	-	-	-	-
Accounts Payable	(87,210)	47,263	(9,342)	(2,688)
Accrued Liabilities	1,051	-	-	-
Other Payables	-	-	-	-
Compensated Absences	(5,276)	(1,146)	2,147	1,446
Customer Deposits Payable	-	-	-	-
Landfill Closure/Post Closure Costs	-	-	-	39,963
Net Cash Provided By Operating Activities	<u>\$ 3,556,428</u>	<u>\$ 1,075,411</u>	<u>\$ 796,273</u>	<u>\$ 205,545</u>
Reconciliation to Statement of Net Assets - Proprietary Funds:				
Cash and Cash Equivalents - Unrestricted	\$ 2,271,651	\$ 1,776,880	\$ 1,118,995	\$ 377,573
Cash and Cash Equivalents - Restricted	-	354,326	-	223,897
Total Cash and Cash Equivalents - Proprietary Funds	<u>\$ 2,271,651</u>	<u>\$ 2,131,206</u>	<u>\$ 1,118,995</u>	<u>\$ 601,470</u>

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

	<u>Utility Support</u>	<u>Total</u>
\$	156,001	\$ 13,092,354
	(103,345)	(6,300,936)
	(107,695)	(965,928)
	(45,342)	(281,833)
	19,986	19,986
	-	(10,381)
	<u>(80,395)</u>	<u>5,553,262</u>
	142,688	142,688
	-	<u>(3,388,383)</u>
	<u>142,688</u>	<u>(3,245,695)</u>
	-	31,200
	-	888
	-	249,500
	-	(553,084)
	-	(1,383)
	-	(758,420)
	-	<u>(49,958)</u>
	-	<u>(1,081,257)</u>
	7,118	29,673
	<u>7,118</u>	<u>29,673</u>
	69,411	1,255,983
	<u>771,573</u>	<u>5,708,323</u>
\$	<u>840,984</u>	<u>\$ 6,964,306</u>
\$	(122,445)	\$ 4,918,544
	12,509	739,088
	5,121	78,627
	-	23,596
	(7,148)	(224,369)
	(5,777)	(5,777)
	29,367	29,367
	(17,686)	(69,663)
	-	1,051
	6,605	6,605
	(927)	(3,756)
	19,986	19,986
	-	<u>39,963</u>
\$	<u>(80,395)</u>	<u>\$ 5,553,262</u>
\$	222,508	\$ 5,767,607
	<u>618,476</u>	<u>1,196,699</u>
\$	<u>840,984</u>	<u>\$ 6,964,306</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

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 elective council, which shall enact local legislation, adopts budgets, determines policies, makes appointments, and controls 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

Based on the aforementioned criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

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 Assets 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 assets should be reported as restricted when constraints placed on net asset 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 assets restricted for community projects result from special revenue funds and the restrictions on their net asset 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.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note A – Summary of Significant Accounting Policies (Continued)

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

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, and 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, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within sixty days of the 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 one month of the year-end.

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

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note A – Summary of Significant Accounting Policies (Continued)

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

GOVERNMENTAL FUNDS (CONTINUED)

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. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as means of maintaining the capital investment and management control. 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 selected to consistently not follow Financial Accounting Standards Board pronouncements issued subsequent to November 30, 1989 as permitted under Governmental Accounting Standards Board Statement No. 20.

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

The major proprietary funds are:

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.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note A – Summary of Significant Accounting Policies (Continued)

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

PROPRIETARY FUNDS (CONTINUED)

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

There are no non-major proprietary funds.

The City has no internal service funds.

FIDUCIARY FUNDS

The City has no fiduciary funds.

Cash and Cash Equivalents

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

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.

Receivables

Receivables at September 30, 2012 consisted of the following:

	Governmental Activities	Business-Type Activities
Property Taxes Receivable	\$ 69,267	\$ -
Other Taxes Receivable	46,277	-
Grants Receivable	390,090	-
Interest Receivable	1,711	102
Miscellaneous Accounts Receivable	53,971	6,011
Utility Accounts Receivable	-	894,317
Allowance for Doubtful Accounts	-	(33,848)
	<u>\$ 561,316</u>	<u>\$ 866,582</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note A – Summary of Significant Accounting Policies (Continued)

Inventory of Supplies

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

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and reported as capital assets in the government-wide financial statements. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000.

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

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

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

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

Interest Capitalization

The City does not capitalize interest costs related to construction.

Equity Classifications

Government-Wide Financial Statement Equity

Equity is classified as net assets 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.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note A – Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued)

Government-Wide Financial Statement Equity (Continued)

- b. Restricted net assets – Consists of net assets with constraints placed on the 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 assets – 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.
- *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.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note A – Summary of Significant Accounting Policies (Continued)

Fund Statement Equity (Continued)

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Unpaid Compensated Absences

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

Note B – 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, 2012 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 Basic Financial Statements for the General Fund and the Special Revenue Fund. The budgetary basis is the accrual basis of accounting.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note B – Compliance and Accountability (Continued)

Interfund Transfers

Transfers within the City are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, and maintaining debt service on a routine basis. The following transfers were made for the fiscal year ending September 30, 2012:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers In/Out</u>
Governmental Activities			
General Fund	\$ 3,198,592	\$ -	\$ 3,198,592
Special Revenue Fund	233,059	710,516	(477,457)
Business-Type Activities			
Sewer and Electric	7,776	2,667,274	(2,659,498)
Water	16,564	334,910	(318,346)
Gas	6,027	400,000	(393,973)
Solid Waste	11,703	-	11,703
Utility Support	638,979	-	638,979
	<u>\$ 4,112,700</u>	<u>\$ 4,112,700</u>	<u>\$ -</u>

Note C – Deposits and Investments

Policies and Practices

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

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

Deposits

The carrying amount of the City's cash held with financial institutions was \$8,404,740 and the bank balance was \$8,464,161. 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.	7,964,161
Total Bank Balance	<u>\$ 8,464,161</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note C – Deposits and Investments (Continued)

Deposits (Continued)

All deposits were fully secured at the balance sheet date.

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the government-wide financial statements disclosed that in the areas of investment practices, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Investments

The City invested in Federal National Mortgage Association Stripped Mortgage Securities. The investment is currently held by Coastal Securities. The investment is carried on the balance sheet at a net book value of zero. The investment was fully amortized as of September 30, 2012.

Restricted Deposits and Investments

The City had deposits and investments restricted for the following purposes at September 30, 2012:

<u>Restricted For:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
State, Local and Federally Funded Programs	\$ 129,798	\$ -	\$ 129,798
Police Activities	12,740	-	12,740
Court Technology and Security	1,319	-	1,319
Debt Service	54,080	134,326	188,406
Repair and Replacement of Equipment	-	220,000	220,000
Utility Customer Deposits	-	618,476	618,476
Landfill Closure Reserve	-	223,897	223,897
Total Restricted Cash	\$ <u>197,937</u>	\$ <u>1,196,699</u>	\$ <u>1,394,636</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note D – Property Taxes

Property taxes include amounts levied against all real and tangible business personal property located in the City. Real property taxes are levied the first day of October on the assessed value listed as of the prior January 1st. Taxes are due and payable upon receipt of the tax bill and are considered delinquent if not paid by February 1. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Assessed values are established by the McCulloch County Appraisal District.

Note E – Capital Assets and Depreciation

Capital asset activity for the year ended September 30, 2012 was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 728,734	\$ -	\$ -	\$ 728,734
Construction in progress	445,243	212,510	(467,511)	190,242
Subtotal	<u>1,173,977</u>	<u>212,510</u>	<u>(467,511)</u>	<u>918,976</u>
Capital assets being depreciated:				
Buildings and improvements	6,889,605	542,115	(13,812)	7,417,908
Infrastructure	8,890,069	40,041	-	8,930,110
Vehicles	1,039,209	244,712	(84,495)	1,199,426
Equipment	<u>1,769,439</u>	<u>228,722</u>	<u>(9,565)</u>	<u>1,988,596</u>
Subtotal	<u>18,588,322</u>	<u>1,055,590</u>	<u>(107,872)</u>	<u>19,536,040</u>
Accumulated depreciation:				
Buildings and improvements	(2,751,862)	(215,295)	13,812	(2,953,345)
Infrastructure	(4,418,656)	(620,641)	-	(5,039,297)
Vehicles	(703,774)	(144,495)	51,351	(796,918)
Equipment	<u>(1,223,591)</u>	<u>(158,741)</u>	<u>41,325</u>	<u>(1,341,007)</u>
Subtotal	<u>(9,097,883)</u>	<u>(1,139,172)</u>	<u>106,488</u>	<u>(10,130,567)</u>
Net capital assets being depreciated	<u>9,490,439</u>	<u>(83,582)</u>	<u>(1,384)</u>	<u>9,405,473</u>
Net capital assets	\$ <u>10,664,416</u>	\$ <u>128,928</u>	\$ <u>(468,895)</u>	\$ <u>10,324,449</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note E – Capital Assets and Depreciation (Continued)

Business-Type Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 84,829	\$ -	\$ -	\$ 84,829
Construction in progress	147,708	524,558	(94,697)	577,569
Subtotal	<u>232,537</u>	<u>524,558</u>	<u>(94,697)</u>	<u>662,398</u>
Capital assets being depreciated:				
Buildings and improvements	13,066,634	54,048	-	13,120,682
Infrastructure	13,991,624	352,630	(145,278)	14,198,976
Vehicles	500,448	11,511	-	511,959
Equipment	2,351,788	305,982	(55,410)	2,602,360
Subtotal	<u>29,910,494</u>	<u>724,171</u>	<u>(200,688)</u>	<u>30,433,977</u>
Accumulated depreciation:				
Buildings and improvements	(3,351,376)	(230,790)	-	(3,582,166)
Infrastructure	(6,125,330)	(340,367)	95,328	(6,370,369)
Vehicles	(358,143)	(152,883)	49,210	(461,816)
Equipment	(1,421,537)	(84,482)	4,994	(1,501,025)
Subtotal	<u>(11,256,386)</u>	<u>(808,522)</u>	<u>149,532</u>	<u>(11,915,376)</u>
Net capital assets being depreciated	<u>18,654,108</u>	<u>(84,351)</u>	<u>(51,156)</u>	<u>18,518,601</u>
Net capital assets	\$ <u>18,886,645</u>	\$ <u>440,207</u>	\$ <u>(145,853)</u>	\$ <u>19,180,999</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note E – Capital Assets and Depreciation (Continued)

Depreciation was charged to the functions as follows:

Governmental Activities	
Administration	\$ 20,741
Airport	482,923
Public Property Maintenance	104,056
Golf Course	25,362
Fire Department	14,820
Police Department	69,769
Street Department	274,109
Civic Center	1,709
Municipal Court	1,260
Animal Control	4,464
EMS Department	86,360
Lake Department	29,965
G. Rollie White Complex	3,628
Senior Citizens Program	985
Total Depreciation Expense	\$ <u><u>1,120,151</u></u>
Business-Type Activities	
Electric	\$ 116,760
Sewer	58,649
Water	390,436
Gas	85,368
Solid Waste	75,366
Utility Support	12,509
Total Depreciation Expense	\$ <u><u>739,088</u></u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note F – 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 2011	Plan Year 2012
Employee deposit rate	5%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

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

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note F – Pension Plan (Continued)

Contributions (Continued)

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

Annual Required Contribution (ARC)	\$	290,988
Interest on Net Pension Obligation		-
Adjustment to the ARC		-
Annual Pension Cost (APC)		<u>290,988</u>
Contributions Made		<u>(290,988)</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)
2009	\$ 216,713	\$ 216,713	100%	\$ -
2010	\$ 248,258	\$ 248,258	100%	\$ -
2011	\$ 290,988	\$ 290,988	100%	\$ -

The required contributions rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	<u>12/31/2009</u>	<u>December 31, 2010</u>	<u>December 31, 2011</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortizaion Period	28.2 years; closed period	28.0 years; closed period	27.1 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:		Market	Market
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.1%	2.1%	2.1%

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note F – Pension Plan (Continued)

Contributions (Continued)

The funded status as of December 31, 2011, 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)
12/31/2011	\$ 4,822,373	\$ 6,772,622	71.2%	\$ 1,950,249	\$ 2,946,284	66.2%

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, 2012

Note F – 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, 2012, 2011, and 2010 were \$6,999, \$9,034 and \$8,692, respectively, which equaled the required contributions each year.

Note G – 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 obligation for vacation accrual for the City amounted to \$90,948 at September 30, 2012.

Note H – 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. Liability by the City is generally limited to contributed amounts.

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

Note I - Leases

The City leases property and equipment through various operating and capital leases. Assets acquired through capital leases are discussed in Note J. All operating leases, including leases of office equipment, golf equipment, and landfill heavy equipment, were determined to be cancelable. Total expenditures for operating leases for the fiscal year ended September 30, 2012 were \$39,749 for governmental activities and \$88,772 for business-type activities.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note I – Leases (Continued)

Future minimum lease payments for operating leases are as follows:

Year Ended September 30,	Amount
2013	\$ 79,160
2014	40,249
2015	36,032
2016	15,899
2017	2,268
Total	<u>\$ 173,608</u>

The assets acquired through capital leases have a capitalized cost of \$3,751,799. Accumulated depreciation at year-end was \$1,536,518. Assets acquired through capital leases are discussed in Note J.

Note J – Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2012 includes the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental Activities					
Bonds, Notes and Capital Leases Payable:					
Certificates of Obligation, Series 2003	\$ 1,955,000	\$ -	\$ (1,485,000)	\$ 470,000	\$ 150,000
General Obligation Refunding Bonds, Series 2012	-	1,528,800	(19,600)	1,509,200	19,600
Welch State Bank	22,807	-	(9,887)	12,920	10,285
PNC Equipment Finance	7,697	-	(4,629)	3,068	3,068
Brady National Bank	146,000	-	(110,000)	36,000	36,000
PNC Equipment Finance	11,635	-	(3,696)	7,939	3,994
View Point Bank	11,355	-	(11,355)	-	-
View Point Bank	113,811	-	(36,100)	77,711	37,907
Bank & Trust	93,537	-	(27,894)	65,643	29,381
Security State Bank	81,987	-	(15,659)	66,328	16,660
View Point Bank	-	78,392	(20,511)	57,881	25,945
First Financial	-	128,550	(21,521)	107,029	24,621
Total Bonds, Notes, and Capital Leases Payable	<u>2,443,829</u>	<u>1,735,742</u>	<u>(1,765,852)</u>	<u>2,413,719</u>	<u>357,461</u>
Compensated Absences	65,250	163	-	65,413	-
Total Governmental Activities	<u>\$ 2,509,079</u>	<u>\$ 1,735,905</u>	<u>\$ (1,765,852)</u>	<u>\$ 2,479,132</u>	<u>\$ 357,461</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note J – Long-Term Liabilities (Continued)

Business-Type Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds, Notes and Capital Leases Payable:					
Sewer and Electric:					
GE Capital	\$ 157,738	\$ -	\$ (157,738)	\$ -	\$ -
Security State Bank	93,849	-	(18,269)	75,580	18,984
Schertz State Bank	-	26,560	(2,999)	23,561	6,315
Water:					
Certificates of Obligation, Series 2000	4,200,000	-	(210,000)	3,990,000	210,000
Certificates of Obligation, Series 2004	480,000	-	(110,000)	370,000	85,000
General Obligation Refunding Bonds, Series 2012	-	31,200	(400)	30,800	400
GE Capital	88,787	12,596	(101,383)	-	-
John Deere Credit	1,184	-	(1,184)	-	-
Gas:					
GE Capital	103,082	-	(103,082)	-	-
John Deere Credit	30,152	-	(12,818)	17,334	13,665
Security State Bank	16,381	-	(3,356)	13,025	3,271
Shertz Bank & Trust	-	24,055	(418)	23,637	5,570
Solid Waste:					
View Point Bank	197,629	-	(45,905)	151,724	48,164
Caterpillar Financial	-	186,448	(3,464)	182,984	44,528
Total Bonds, Notes, and Capital Leases Payable	5,368,802	280,859	(771,016)	4,878,645	435,897
Compensated Absences	29,291	-	(3,756)	25,535	-
Total Business-Type Activities	\$ <u>5,398,093</u>	\$ <u>280,859</u>	\$ <u>(774,772)</u>	\$ <u>4,904,180</u>	\$ <u>435,897</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note J – Long-Term Liabilities (Continued)

Description of Debt

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

On May 1, 2000, the City issued the Combination Tax and Waterworks Surplus Revenue Certificates of Obligation, Series 2000. Principal amounts on these certificates are due and payable annually on May 1. The certificates are interest free and will be paid in full on May 1, 2031.

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 due September 2017 through September 2022. The proceeds were placed in an irrevocable escrow and will be used to redeem the future maturities on September 1, 2013. Due to the advance redemption of these bonds, the City does not record a liability for the redeemed future maturities. The balance of the refunded maturities to be paid from escrows was \$1,340,000 at September 30, 2012.

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 due in May 2017. The proceeds were placed in an irrevocable escrow and will be used to redeem the future maturities on May 1, 2014. Due to the advance redemption of these bonds, the City does not record a liability for the redeemed future maturities. The balance of the refunded maturities to be paid from escrows was \$30,000 at September 30, 2012.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note J – 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 refund a portion of the outstanding Tax Note, Series 2007 in advance of 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 refunding reduced total future debt service payments by \$82,406. This resulted in an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$73,251.

GE Capital – Capital Lease

On July 15, 2002, the City entered a capital lease agreement with All American Investment Group, LLC, assigned to Transamerica Public Finance LLC, which was subsequently assigned to GE Capital. This lease was for the purchase and installation of new water, electric and gas meters in the amount of \$2,970,334. The lease is due and payable in quarterly payments for a term of ten years, including interest at the rate of 4.54%. The capital lease was paid in full on August 1, 2012.

Brady National Bank Tax Note, Series 2007

On October 15, 2007, the City borrowed \$254,000 from Brady National Bank to fund installation of a sprinkler system on the City's golf course. Principal amounts on this note are due and payable annually beginning November 1, 2008. Interest is due and payable semi-annually beginning May 1, 2008. The interest rate on this note is 5.50% and the note will be paid in full November 1, 2014.

On April 11, 2012, the City issued the General Obligation Refunding Bonds, Series 2012. A portion of the proceeds were used to redeem \$74,000 in future annual principal maturities due November 2013 and November 2014. The proceeds were placed in an irrevocable escrow and were used to redeem the future maturities on May 16, 2012.

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note J – Long-Term Liabilities (Continued)

Description of Debt (Continued)

PNC Equipment Finance

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

Welch State Bank

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

John Deere Credit

On November 25, 2008, the City entered a capital lease agreement with John Deere Credit. This lease was for the purchase of an Okada 304B Hydraulic Hammer. The lease is due and payable in 36 monthly payments of \$399 beginning December 11, 2008. Payments include interest of 8.00%. The lease was paid in full on December 11, 2011.

John Deere Credit

On December 22, 2008, the City entered a capital lease agreement with John Deere Credit. This lease was for the purchase of a John Deere 310J Backhoe. The lease is due and payable in 60 monthly payments of \$1,210 beginning January 11, 2009. Payments include interest of 7.00%. The lease will be paid in full on August 15, 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 will be paid in full on August 15, 2014.

View Point Bank

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

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note J – Long-Term Liabilities (Continued)

Description of Debt (Continued)

View Point Bank

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

The Bank & Trust, S.S.B

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

Security State Bank

On June 7, 2011, the City entered a capital lease agreement with Security State Bank. This lease was for the purchase of various equipment. This lease is due and payable in 60 monthly payments of \$3,733 beginning July 15, 2011. Payments include interest of 4.28%. This lease will be paid in full on December 15, 2013.

View Point Bank

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

First Financial Bank, N.A.

On October 18, 2011, the City entered a capital lease agreement with First Financial Bank, N.A. This lease was for the purchase of an ambulance. This lease is due and payable in 60 monthly payments of \$2371 beginning December 1, 2011. Payments include interest of 4.001%. This lease will be paid in full on November 1, 2016.

Schertz Bank and Trust

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

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note J – Long-Term Liabilities (Continued)

Description of Debt (Continued)

Schertz Bank and Trust

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

Caterpillar Financial

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

Debt Maturity

Debt service requirements at September 30, 2012 were as follows:

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

Year Ended September 30	Principal	Interest	Total
2013	\$ 210,000	\$ -	\$ 210,000
2014	210,000	-	210,000
2015	210,000	-	210,000
2016	210,000	-	210,000
2017	210,000	-	210,000
2018-2022	1,050,000	-	1,050,000
2023-2027	1,050,000	-	1,050,000
2028-2031	840,000	-	840,000
	<u>\$ 3,990,000</u>	<u>\$ -</u>	<u>\$ 3,990,000</u>

General Obligation Refunding Bonds, Series 2003

Year Ended September 30	Principal	Interest	Total
2013	\$ 150,000	\$ 75,404	\$ 225,404
2014	155,000	69,966	224,966
2015	165,000	64,231	229,231
	<u>\$ 470,000</u>	<u>\$ 209,601</u>	<u>\$ 679,601</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note J – Long-Term Liabilities (Continued)

Debt Maturity (Continued)

Combination Tax and Revenue Certificates of Obligation, Series 2004

Year Ended September 30	Principal	Interest	Total
2013	\$ 85,000	\$ 88,314	\$ 173,314
2014	90,000	84,455	174,455
2015	95,000	80,279	175,279
2016	100,000	75,829	175,829
	\$ 370,000	\$ 328,877	\$ 698,877
	\$ 370,000	\$ 328,877	\$ 698,877

General Obligation Refunding Bonds, Series 2012

Year Ended September 30	Principal	Interest	Total
2013	\$ 20,000	\$ 36,725	\$ 56,725
2014	55,000	36,525	91,525
2015	55,000	35,425	90,425
2016	185,000	34,325	219,325
2017	215,000	30,625	245,625
2018-2022	1,010,000	83,175	1,093,175
	\$ 1,540,000	\$ 256,800	\$ 1,796,800
	\$ 1,540,000	\$ 256,800	\$ 1,796,800

Tax Note, Series 2007

Year Ended September 30	Principal	Interest	Total
2013	\$ 36,000	\$ 5,060	\$ 41,060
	\$ 36,000	\$ 5,060	\$ 41,060
	\$ 36,000	\$ 5,060	\$ 41,060

PNC Equipment Finance

Year Ended September 30	Principal	Interest	Total
2013	\$ 3,068	\$ 84	\$ 3,152
	\$ 3,068	\$ 84	\$ 3,152
	\$ 3,068	\$ 84	\$ 3,152

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note J – Long-Term Liabilities (Continued)

Debt Maturity (Continued)

Welch State Bank

Year Ended September 30	Principal	Interest	Total
2013	\$ 10,285	\$ 325	\$ 10,610
2014	2,635	17	2,652
	\$ 12,920	\$ 342	\$ 13,262

John Deere Credit

Year Ended September 30	Principal	Interest	Total
2013	\$ 13,745	\$ 778	\$ 14,523
2014	3,589	42	3,631
	\$ 17,334	\$ 820	\$ 18,154

PNC Equipment Finance

Year Ended September 30	Principal	Interest	Total
2013	\$ 3,994	\$ 478	\$ 4,472
2014	3,945	155	4,100
	\$ 7,939	\$ 633	\$ 8,572

View Point Bank

Year Ended September 30	Principal	Interest	Total
2013	\$ 37,907	\$ 2,960	\$ 40,867
2014	39,804	1,063	40,867
	\$ 77,711	\$ 4,023	\$ 81,734

View Point Bank

Year Ended September 30	Principal	Interest	Total
2013	\$ 48,164	\$ 6,253	\$ 54,417
2014	50,536	3,881	54,417
2015	53,024	1,393	54,417
	\$ 151,724	\$ 11,527	\$ 163,251

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note J – Long-Term Liabilities (Continued)

Debt Maturity (Continued)

Bank & Trust, S.S.B.

Year Ended September 30	Principal	Interest	Total
2013	\$ 29,381	\$ 2,722	\$ 32,103
2014	30,946	1,157	32,103
2015	5,316	35	5,351
	<u>\$ 65,643</u>	<u>\$ 3,914</u>	<u>\$ 69,557</u>

Security State Bank

Year Ended September 30	Principal	Interest	Total
2013	\$ 38,915	\$ 5,884	\$ 44,799
2014	40,617	4,182	44,799
2015	42,393	2,406	44,799
2016	33,008	592	33,600
	<u>\$ 154,933</u>	<u>\$ 13,064</u>	<u>\$ 167,997</u>

View Point Bank

Year Ended September 30	Principal	Interest	Total
2013	\$ 25,945	\$ 2,284	\$ 28,229
2014	27,260	969	28,229
2015	4,676	29	4,705
	<u>\$ 57,881</u>	<u>\$ 3,282</u>	<u>\$ 61,163</u>

First Financial Bank, N.A.

Year Ended September 30	Principal	Interest	Total
2013	\$ 24,621	\$ 3,833	\$ 28,454
2014	25,624	2,830	28,454
2015	26,667	1,787	28,454
2016	27,754	700	28,454
2017	2,363	8	2,371
	<u>\$ 107,029</u>	<u>\$ 9,158</u>	<u>\$ 116,187</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note J – Long-Term Liabilities (Continued)

Debt Maturity (Continued)

Schertz Bank and Trust

Year Ended September 30	Principal	Interest	Total
2013	\$ 6,315	\$ 1,041	\$ 7,356
2014	6,640	716	7,356
2015	6,982	374	7,356
2016	3,624	53	3,677
	\$ 23,561	\$ 2,184	\$ 25,745
	\$ 23,561	\$ 2,184	\$ 25,745

Schertz Bank and Trust

Year Ended September 30	Principal	Interest	Total
2013	\$ 5,570	\$ 1,138	\$ 6,708
2014	5,878	830	6,708
2015	6,203	505	6,708
2016	5,986	163	6,149
	\$ 23,637	\$ 2,636	\$ 26,273
	\$ 23,637	\$ 2,636	\$ 26,273

Caterpillar Financial

Year Ended September 30	Principal	Interest	Total
2013	\$ 44,528	\$ 5,193	\$ 49,721
2014	45,974	3,747	49,721
2015	47,467	2,254	49,721
2016	45,015	562	45,577
	\$ 182,984	\$ 11,756	\$ 194,740
	\$ 182,984	\$ 11,756	\$ 194,740

CITY OF BRADY, TEXAS

Notes to the Financial Statements
 For the Year Ended September 30, 2012

Note K – 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 \$223,897 as of September 30, 2012, which was based on 13.85% usage (filled) of the landfill. It is estimated that an additional \$1,383,430 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 (\$1,616,073) 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, 2012. 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 2012 disposal is in excess of 100 years. The current estimated liability of \$223,897 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 L – Fund Balances

The City reported the following fund balance designations at September 30, 2012:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventory	\$ 42,815	\$ -	\$ 42,815
Total Nonspendable	<u>42,815</u>	<u>-</u>	<u>42,815</u>
Restricted For:			
Debt Service	54,080	-	54,080
State and Federally Funded Programs	-	131,720	131,720
Police Activities	12,470	-	12,470
Court Technology and Security	1,320	-	1,320
Total Restricted	<u>67,870</u>	<u>131,720</u>	<u>199,590</u>
Unassigned	<u>1,028,121</u>	<u>-</u>	<u>1,028,121</u>
Total Fund Balances	<u>\$ 1,138,806</u>	<u>\$ 131,720</u>	<u>\$ 1,270,526</u>

CITY OF BRADY, TEXAS

Notes to the Financial Statements
For the Year Ended September 30, 2012

Note M – Restricted Net Assets

The City reported the following restricted net assets at September 30, 2012:

Net Assets Restricted For	Governmental Activities	Business-Type Activities	Total Governmental Funds
Restricted For:			
Debt Service	\$ 54,080	\$ 134,326	\$ 188,406
State, Local, and Federally Funded Programs	131,720	-	131,720
Repair and Replacement of Equipment	-	220,000	220,000
Landfill Closure	-	223,897	223,897
Police Activities	12,470	-	12,470
Court Technology and Security	1,320	-	1,320
Total Restricted	\$ 199,590	\$ 578,223	\$ 777,813

Note N – Subsequent Event

On October 15, 2012, the City issued debt in the amount of \$2,155,000 for the acquisition and installation of an automated utility meter reading system.

On November 9, 2012, the City received financing from the Texas Water Development Board’s (TWDB) Clean Water State Revolving Fund in the amount of \$2,651,990 to finance the wastewater system improvements. Part of the financing was in the form of \$1,210,000 in Combination Tax and Revenue Certificates of Obligation issued by the City and sold to the TWDB. The City also entered into a Loan Forgiveness Agreement with the TWDB in the amount of \$1,441,990. The financing will be used to planning and design activities related to improving its wastewater system.

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Property Tax	\$ 570,250	\$ 572,360	\$ 595,479	\$ 23,119
Sales Tax	760,000	768,000	799,891	31,891
Franchise Taxes	48,000	48,900	48,991	91
Mixed Beverage Tax	800	800	818	18
Interest Income	36,350	51,555	55,221	3,666
Miscellaneous Revenue	55,250	4,197	4,225	28
Reimbursed Expenses	2,500	40,209	40,116	(93)
Administrative Services	49,995	44,830	44,919	89
Airport Revenue	723,494	850,000	858,815	8,815
Public Property Maintenance	53,900	41,900	39,299	(2,601)
Golf Course	109,500	122,044	124,641	2,597
Swimming Pool	15,000	19,315	19,317	2
Fire Department	80,000	89,380	89,381	1
Police Department	50,600	50,600	50,761	161
Emergency Op Center	92,334	15,000	15,000	-
Street Department	-	-	10	10
Civic Center	10,000	13,000	12,800	(200)
Municipal Court	41,800	64,000	66,403	2,403
Animal Control	700	1,600	2,421	821
City/County EMS	724,043	636,193	675,382	39,189
Lake Department	161,333	133,758	132,739	(1,019)
G.R. White Complex	-	3,100	3,602	502
Building & Permitting	20,000	15,100	16,324	1,224
Donations	10,000	10,300	12,084	1,784
Grant Revenue	50,000	50,000	50,000	-
Total Revenues	3,665,849	3,646,141	3,758,639	112,498
EXPENDITURES				
Administration	654,363	617,232	536,322	80,910
Airport	835,088	910,028	859,952	50,076
Public Property Maintenance	306,526	306,189	305,675	514
Mayor and Council	25,295	30,295	29,011	1,284
Golf Course	295,814	294,647	291,649	2,998
Swimming Pool	78,311	96,965	93,123	3,842
Fire Department	777,118	751,698	718,831	32,867
Police Department	983,576	981,094	959,999	21,095
Emergency Op Center	72,523	62,398	56,831	5,567
Street Department	554,775	426,979	397,600	29,379
Civic Center	23,000	19,500	16,790	2,710

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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Municipal Court	\$ 65,395	\$ 81,587	\$ 77,243	\$ 4,344
Special Services	47,700	59,200	58,142	1,058
Repair Shop	57,014	57,202	55,710	1,492
Animal Control	53,175	54,640	49,443	5,197
City/County EMS	695,943	675,823	651,319	24,504
Lake Department	264,982	307,554	299,666	7,888
G.R. White Complex	62,550	18,366	23,873	(5,507)
Financial Administration	216,569	218,599	214,774	3,825
Building & Permitting	161,554	141,089	130,949	10,140
Capital Outlay	468,832	719,915	590,610	129,305
Debit Service				
Principal	334,066	334,066	351,853	(17,787)
Interest	113,890	113,890	176,691	(62,801)
Total Expenditures	<u>7,148,059</u>	<u>7,278,956</u>	<u>6,946,056</u>	<u>332,900</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(3,482,210)	(3,632,815)	(3,187,417)	445,398
OTHER FINANCING SOURCES (USES)				
Transfers In	3,279,210	3,420,378	3,012,635	(407,743)
Bond Issuance Costs	-	-	(67,728)	(67,728)
Bond Premium	-	-	43,496	43,496
Bond Proceeds	-	-	1,528,800	1,528,800
Bond Retirement	-	-	(1,414,000)	(1,414,000)
Lease Proceeds	203,000	206,942	206,942	-
Sale of Fixed Assets	-	5,495	-	(5,495)
Total Other Financing Sources (Uses)	<u>3,482,210</u>	<u>3,632,815</u>	<u>3,310,145</u>	<u>(322,670)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	122,728	122,728
Fund Balance - Beginning, GAAP Basis	<u>1,016,078</u>	<u>1,016,078</u>	<u>1,016,078</u>	-
Fund Balance - Ending, GAAP and Budgetary Basis	<u>\$ 1,016,078</u>	<u>\$ 1,016,078</u>	<u>\$ 1,138,806</u>	<u>\$ 122,728</u>

CITY OF BRADY, TEXAS

Required Supplemental Information
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
 Special Revenue Fund
 For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sales Taxes	\$ 180,000	\$ 185,000	\$ 194,825	\$ 9,825
Hotel Occupancy Taxes	150,000	175,000	168,910	(6,090)
Senior Citizen Revenues	30,000	30,000	31,713	1,713
Donations	-	5,463	5,463	-
Pass-Through Services Revenue	5,000	5,000	4,801	(199)
Reimbursed Expenses	-	-	15	15
Grant Revenues	2,756,368	2,942,971	719,197	(2,223,774)
Total Revenues	<u>3,121,368</u>	<u>3,343,434</u>	<u>1,124,924</u>	<u>(2,218,510)</u>
EXPENDITURES				
Pass-Through Services	335,000	388,000	391,536	(3,536)
Senior Citizens Program	286,395	291,234	293,819	(2,585)
Community Development	2,740,590	3,081,682	18,449	3,063,233
Capital Outlay	-	5,463	715,978	(710,515)
Total Expenditures	<u>3,361,985</u>	<u>3,766,379</u>	<u>1,419,782</u>	<u>2,346,597</u>
Excess (Deficiency) of Revenues Over Expenditures	(240,617)	(422,945)	(294,858)	128,087
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	240,617	422,945	233,059	(189,886)
Total Other Financing Sources and Uses	<u>240,617</u>	<u>422,945</u>	<u>233,059</u>	<u>(189,886)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	(61,799)	(61,799)
Fund Balance, Beginning, GAAP Basis	<u>193,519</u>	<u>193,519</u>	<u>193,519</u>	<u>-</u>
Fund Balance, Ending, GAAP and Budgetary Basis	<u>\$ 193,519</u>	<u>\$ 193,519</u>	<u>131,720</u>	<u>\$ (61,799)</u>

CITY OF BRADY, TEXAS

Required Supplemental Information
Notes to the Budgetary Comparison Schedules
For the Year Ended September 30, 2012

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, 2012

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)
12/31/2009	\$ 2,568,462	\$ 3,989,598	64.4%	\$ 1,421,136	\$ 2,891,891	49.1%
12/31/2010	\$ 4,354,539	\$ 6,309,735	69.0%	\$ 1,955,196	\$ 2,957,691	66.1%
12/31/2011	\$ 4,822,373	\$ 6,772,622	71.2%	\$ 1,950,249	\$ 2,946,284	66.2%

SUPPLEMENTAL SECTION

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual
 Sewer and Electric Fund
 For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Electrical Distribution	\$ 7,826,199	\$ 8,296,478	\$ 8,399,895	\$ 103,417
Wastewater	649,500	682,500	693,161	10,661
Interest Income	4,700	5,500	5,526	26
Miscellaneous Revenue	-	24,715	-	(24,715)
Reimbursed Expenses	-	-	26,215	26,215
Total Revenues	<u>8,480,399</u>	<u>9,009,193</u>	<u>9,124,797</u>	<u>115,604</u>
EXPENDITURES				
Power Plant	6,150	4,150	2,309	1,841
Electrical Distribution	4,851,087	5,098,193	4,938,407	159,786
Wastewater	468,579	368,158	306,515	61,643
Bad Debt Expense	72,500	72,500	50,153	22,347
Amortization	2,434	2,434	22,254	(19,820)
Capital Outlay	303,525	216,347	147,558	68,789
Debt Service				
Principal Payments	187,370	185,370	179,006	6,364
Interest Payments	28,229	26,329	7,473	18,856
Total Expenditures	<u>5,919,874</u>	<u>5,973,481</u>	<u>5,653,675</u>	<u>319,806</u>
Excess Revenues Over (Under)				
Expenditures	2,560,525	3,035,712	3,471,122	435,410
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	235,000	76,560	26,560	(50,000)
Transfers Out	(2,795,525)	(3,112,272)	(2,666,069)	446,203
Total Other Financing Sources (Uses)	<u>(2,560,525)</u>	<u>(3,035,712)</u>	<u>(2,639,509)</u>	<u>396,203</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	831,613	831,613
Net Assets - Beginning, GAAP Basis	<u>3,921,228</u>	<u>3,921,228</u>	<u>3,921,228</u>	<u>-</u>
Net Assets - Ending, Budgetary Basis	<u>\$ 3,921,228</u>	<u>\$ 3,921,228</u>	<u>4,752,841</u>	<u>\$ 831,613</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense.			(175,409)	
Principal Payments - The City budgets for principal debt payments.			186,782	
Lease Proceeds - The City budgets for lease proceeds.			(26,560)	
Capital Outlay - The City budgets for capital outlay.			147,558	
Transfers of Capital Assets - The City does not budget for transfers of capital assets between business-type activities			(1,205)	
Net Assets - Ending, GAAP Basis			<u>\$ 4,884,007</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual
 Water Fund
 For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Water Department	\$ 1,726,843	\$ 1,814,030	\$ 1,803,795	\$ (10,235)
Interest Revenue	11,500	11,000	12,035	1,035
Reimbursed Expenses	-	19,843	19,844	1
Total Revenues	<u>1,738,343</u>	<u>1,844,873</u>	<u>1,835,674</u>	<u>(9,199)</u>
EXPENDITURES				
Water Department	747,033	935,667	801,999	133,668
Bad Debt Expense	13,000	13,000	11,500	1,500
Amortization	1,400	1,400	1,342	58
Capital Outlay	241,840	190,368	182,587	7,781
Debt Service				
Principal Payments	342,571	342,970	442,967	(99,997)
Interest Payments	25,416	25,416	23,909	1,507
Total Expenditures	<u>1,371,260</u>	<u>1,508,821</u>	<u>1,464,304</u>	<u>44,517</u>
Excess Revenues Over (Under) Expenditures	367,083	336,052	371,370	35,318
OTHER FINANCING SOURCES (USES)				
Transfers In	26,182	-	-	-
Bond Proceeds	-	-	32,100	32,100
Bond Premium	-	-	888	888
Transfers Out	(367,083)	(336,052)	(322,314)	13,738
Total Other Financing Sources (Uses)	<u>(340,901)</u>	<u>(336,052)</u>	<u>(289,326)</u>	<u>46,726</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	26,182	-	82,044	82,044
Net Assets - Beginning, GAAP Basis	<u>11,709,616</u>	<u>11,709,616</u>	<u>11,709,616</u>	<u>-</u>
Net Assets - Ending, Budgetary Basis	\$ <u>11,735,798</u>	\$ <u>11,709,616</u>	11,791,660	\$ <u>82,044</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense.			(390,436)	
Principal Payments - The City budgets for principal debt payments.			430,371	
Capital Outlay - The City budgets for capital outlay.			182,587	
Bond Proceeds - The City normally budgets for debt proceeds.			(32,100)	
Bond Premium - The City normally budgets for debt premiums and discounts.			(888)	
Capital Contributions from Governmental Activities - The City does not budget for contributions received from its Governmental Activities			16,564	
Gain (Loss) on Disposal of Capital Assets - The City does not budget gains or losses from disposals of capital assets.			(36,765)	
Net Assets - Ending, GAAP Basis			\$ <u>11,960,993</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual
 Gas Fund
 For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Gas Distribution	\$ 1,653,950	\$ 1,278,200	\$ 1,399,253	\$ 121,053
Interest Revenue	1,725	1,725	1,954	229
Reimbursed Expenses	-	658	659	1
Total Revenues	<u>1,655,675</u>	<u>1,280,583</u>	<u>1,401,866</u>	<u>121,283</u>
EXPENDITURES				
Gas Department	1,048,504	680,248	608,265	71,983
Bad Debt Expense	15,000	15,000	6,721	8,279
Capital Outlay	33,000	27,500	29,055	(1,555)
Debt Service				
Principal Payments	120,163	115,163	114,853	310
Interest Payments	7,720	7,720	5,382	2,338
Total Expenditures	<u>1,224,387</u>	<u>845,631</u>	<u>764,276</u>	<u>81,355</u>
Excess Revenues Over (Under) Expenditures	431,288	434,952	637,590	202,638
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	27,500	27,500	24,055	(3,445)
Transfers Out	(458,788)	(462,452)	(400,000)	(62,452)
Total Other Financing Sources (Uses)	<u>(431,288)</u>	<u>(434,952)</u>	<u>(375,945)</u>	<u>(65,897)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	261,645	136,741
Net Assets - Beginning, GAAP Basis	<u>2,179,976</u>	<u>2,179,976</u>	<u>2,179,976</u>	<u>-</u>
Net Assets - Ending, Budgetary Basis	\$ <u>2,179,976</u>	\$ <u>2,179,976</u>	\$ 2,441,621	\$ <u>136,741</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense.			(85,368)	
Principal Payments - The City budgets for principal debt payments.			119,674	
Capital Outlay - The City budgets for capital outlay.			29,055	
Lease Proceeds - The City budgets for capital lease proceeds.			(24,055)	
Transfer of Capital Assets - The City does not budget for transfers of capital assets within business-type activities.			1,206	
Gain (Loss) on Disposal of Capital Assets - The City does not budget for gains or losses on disposal of capital assets.			5,000	
Net Assets - Ending, GAAP Basis			\$ <u>2,487,133</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual
 Solid Waste Fund
 For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Solid Waste	\$ 782,000	\$ 826,200	\$ 837,601	\$ 11,401
Interest Revenue	2,500	2,500	3,040	540
Miscellaneous Revenues	-	-	25	25
Reimbursed Expenses	-	35,640	35,639	(1)
Total Revenues	<u>784,500</u>	<u>864,340</u>	<u>876,305</u>	<u>11,965</u>
EXPENDITURES				
Solid Waste	665,532	728,688	693,922	34,766
Bad Debt Expense	6,000	6,000	5,132	868
Capital Outlay	-	-	186,448	(186,448)
Debt Service				
Principal Payments	45,905	45,905	49,369	(3,464)
Interest Payments	8,512	8,512	9,076	(564)
Total Expenditures	<u>725,949</u>	<u>789,105</u>	<u>943,947</u>	<u>(154,842)</u>
Excess Revenues Over (Under) Expenditures	58,551	75,235	(67,642)	(142,877)
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	198,885	198,885
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>198,885</u>	<u>198,885</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	58,551	75,235	131,243	56,008
Net Assets - Beginning, GAAP Basis	<u>396,063</u>	<u>396,063</u>	<u>396,063</u>	<u>-</u>
Net Assets - Ending, Budgetary Basis	\$ <u>454,614</u>	\$ <u>471,298</u>	\$ 527,306	\$ <u>56,008</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense.			(75,366)	
Principal Payments- The City budgets for principal debt payments.			49,369	
Capital Outlay - The City budgets for capital outlay.			186,448	
Lease Proceeds - The City budgets for capital lease proceeds.			(198,885)	
Capital Contributions from Governmental Activities - The City does not budget for capital contributions from governmental activities.			11,703	
Net Assets - Ending, GAAP Basis			\$ <u>500,575</u>	

CITY OF BRADY, TEXAS

Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual
 Utility Support Fund
 For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Utility Support	\$ 148,350	\$ 168,120	\$ 170,445	\$ 2,325
Interest Revenue	10,000	7,000	7,118	118
Miscellaneous Revenue	-	-	30	30
Total Revenues	<u>158,350</u>	<u>175,120</u>	<u>177,593</u>	<u>2,473</u>
EXPENDITURES				
Administration	63,050	67,350	54,912	12,438
Meter Shop	103,533	98,749	87,330	11,419
Billing-Collection	144,387	144,209	133,048	11,161
Bad Debt Expense	7,500	7,500	5,121	2,379
Total Expenditures	<u>318,470</u>	<u>317,808</u>	<u>280,411</u>	<u>37,397</u>
Excess of Revenues Over (Under) Expenditures	(160,120)	(142,688)	(102,818)	39,870
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>160,120</u>	<u>142,688</u>	<u>142,688</u>	-
Total Other Financing Sources (Uses)	<u>160,120</u>	<u>142,688</u>	<u>142,688</u>	-
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	39,870	39,870
Net Assets - Beginning, GAAP Basis	<u>466,216</u>	<u>466,216</u>	<u>466,216</u>	-
Net Assets - Ending, Budgetary Basis	\$ <u>466,216</u>	\$ <u>466,216</u>	506,086	\$ <u>39,870</u>
Adjustments to Reconcile the Budgetary Amounts to GAAP:				
Depreciation - The City does not budget for depreciation expense.			(12,509)	
Capital Contributions from Governmental Activities - The City does not budget for capital contributions from governmental activities.			496,291	
Net Assets - Ending, GAAP Basis			\$ <u>989,868</u>	

CITY OF BRADY, TEXAS

Notes to the Budgetary Comparison Schedules
Proprietary Funds
For the Year Ended September 30, 2012

Budget Requirements, Accounting, and Reporting

The budget requirements for all funds are as follows:

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

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

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

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

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

CITY OF BRADY, TEXAS

Single Audit Compliance Information
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2012

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Passed Through the Colorado Valley Council of Governments			
Title III, Part B - Nutrition Services	93.045	N/A	\$ 46,360
Nutrition Services Incentive Program	93.053	N/A	<u>24,158</u>
Total U.S. Department of Health and Human Services			<u>70,518</u>
U.S. Department of Transportation			
Passed Through the Colorado Valley Council of Governments			
Formula Grants for Other Than Urbanized Areas	20.509	N/A	<u>58,149</u>
Total U.S. Department of Transportation			<u>58,149</u>
U.S. Department of Homeland Security			
Passed Through the Texas Department of Public Safety			
Hazard Mitigation Grant (PSB Relocation)	97.039	1709-019	369,848
Hazard Mitigation Grant (Emergency Sirens)	97.039	DR-1791-145	106,358
Hazard Mitigation Grant (Emergency Generator)	97.039	DR-1780-037	10,716
Hazard Mitigation Grant (Emergency Generator)	97.039	DR-1791-045	11,154
Hazard Mitigation Grant (Emergency Generator)	97.039	DR-1791-046	<u>11,241</u>
Total U.S. Department of Homeland Security			<u>509,317</u>
U.S. Department of Housing and Urban Development			
Passed Through Texas Department of Agriculture			
Community Development Block Grant	14.228	711059	<u>16,564</u>
Total U.S. Department of Agriculture			<u>16,564</u>
Total Federal Awards Expended			<u>\$ 654,548</u>

CITY OF BRADY, TEXAS

Single Audit Compliance Information
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

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, 2012

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 Auditors’ Report Issued on Compliance for Major Programs	Unqualified
Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a), of OMB Circular A-133	None
Identification of Major Programs:	Hazard Mitigation Grant, CFDA No. 97.039
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, 2012

No prior year findings.

**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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brady, Texas (the City) as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of the City, in a separate letter dated March 31, 2013.

This report is intended solely for the information and use of management, the Honorable Mayor and City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

San Antonio, Texas
March 31, 2013

A handwritten signature in cursive script, appearing to read "David Butler".

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Honorable Mayor and City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

San Antonio, Texas
March 31, 2013

