

BRADY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2012

Introductory Section

Brady Independent School District
Annual Financial Report
For The Year Ended August 31, 2012

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CERTIFICATE OF BOARD

Brady Independent School District
Name of School District

McCulloch
County

160-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved _____ disapproved for the year ended August 31, 2012, at a meeting of the board of trustees of such school district on the 19th day of November, 2012.


Signature of Board Secretary


Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section

BURL D. LOWERY CPA

311 Center Avenue
Brownwood, TX 76801

Independent Auditor's Report on Financial Statements

Board of Trustees
Brady Independent School District
100 West Main
Brady, Texas 76825-4527

Members of the Board of Trustees:

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brady Independent School District as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brady Independent School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

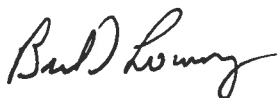
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brady Independent School District as of August 31, 2012, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 16, 2012, on my consideration of Brady Independent School District's internal control over financial reporting and on my 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 my 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 my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brady Independent School District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are 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 accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and other supplementary 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Burl D. Lowery". The signature is written in a cursive, flowing style.

Burl D. Lowery
Certified Public Accountant

October 16, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Brady Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$11,472,670 at August 31, 2012.
- During the year, the District's expenses were \$581,865, less than the \$15,397,491 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased by \$842,240 and its revenues decreased by \$893,070 during the current year.
- The general fund reported a fund balance this year of \$3,665,769.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government's former self-insurance fund.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong. These funds consist of student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the

government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report information about the District's net assets and how they have changed. Net assets-the difference between the District's assets and liabilities- is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*-Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The District has no Proprietary Fund Types.
- *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. These funds consist of student activity funds and belong to clubs and organizations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$ 11,472,670 at August 31, 2012 and \$10,890,805 at August 31, 2011.

The District has restricted net assets of \$921,576 are restricted to future bond payments and state and federal programs, which leaves \$4,832,576 of unrestricted net assets at August 31, 2012. The unreserved funds of \$4,832,576 represents resources available to fund the programs of the District next year.

Changes in net assets. The District's total revenues were \$15,397,491. A significant portion, 35%, of the District's revenue comes from taxes. 44.6% comes from state available and foundation grants, while only 1.8% relates to charges for services.

The total cost of all programs and services was \$14,815,626; 47.8% of these costs are for instruction and instructional related services. (Expenditure Functions 11 and 12).

Governmental Activities

- Property tax rates did not change in the current year. The taxable values increased which yielded tax revenues of \$5,389,892.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types in the individual funds totaled \$15,368,374, a decrease of 6.5% over the preceding year. The decrease of a decrease in federal revenue.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$709,863 below final budget amounts of the General Fund.

On the other hand, resources available were \$41,916 less than the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the District had invested \$37,680,873 in a broad range of capital assets, including land, equipment buildings, and vehicles. This amount represents a net increase of \$154,369 or 0.4% over last year.

More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the District had \$18,615,000 in bonds outstanding at August 31, 2012. More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2012-2013 budget preparation is expected to increase slightly.
- General operating fund spending decreases in the 2012-2013 budget from \$10,542,393 to \$10,317,990. This is a decrease of 2.1%.
- The District's 2012-2013 refined average daily attendance is expected to be approximately the same as the 2011-2012 refined average daily attendance.

These indicators were taken into account when adopting the general fund budget for 2012-2013. Amounts available for appropriation in the general fund budget are \$10,338,470, a decrease of 2.91 percent over the final 2011-2012 budget of \$10,648,393. Property taxes will remain approximately the same as taxable value and tax rates are only changing by minimal amounts. State revenue will increase or decrease as the student population changes in size. The District will use these increases in revenues to finance programs we currently offer.

General fund expenditures are budgeted to decrease nearly 2.1% to \$10,317,990. The District has added no major new programs or initiatives to the 2012-2013 budget.

If these estimates are realized, the District's budgetary general fund balance is not expected to change appreciably by the close of 2012-2013.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

BRADY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS - TABLES
FINANCIAL ANALYSIS IF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$11,472,670 at August 31, 2012. (See Table 1)

Table 1
 Brady Independent School District's Net Assets

	Governmental Activities	
	2012	2011
Current Assets:		
Cash and cash equivalents	\$5,960,866	\$5,570,063
Due from other governments	\$107,923	\$165,226
Property taxes receivable net of uncollectible	\$152,194	\$166,511
Inventories	\$0	\$0
Accrued interest	\$0	\$0
Other receivables	\$51,537	\$39,451
Unamortized bond issuance costs	\$145,514	\$155,726
Deferred expense	\$52,452	\$112,588
Total Current Assets	\$6,470,486	\$6,209,565
Noncurrent Assets:		
Land	\$401,905	\$401,905
Construction in progress	\$0	\$0
Buildings	\$33,586,122	\$33,586,122
Equipment and vehicles	\$3,692,846	\$3,538,477
Less accumulated depreciation	(\$13,263,912)	(\$12,296,046)
Total Noncurrent Assets	\$24,416,961	\$25,230,458
Total Assets	\$30,887,447	\$31,440,023
Current Liabilities:		
Accounts payable and accrued expenses	\$316,991	\$378,145
Claims payable		
Due to other funds		
Deferred revenue	\$399,343	\$766,736
Total Current Liabilities	\$716,334	\$1,144,881
Long-term Liabilities:		
Bonds Payable	\$18,615,000	\$19,300,000
Unamortized premium on bonds	\$83,443	\$87,543
Capital Leases payable	\$0	\$16,794
Total Long-term Liabilities	\$18,698,443	\$19,404,337
Total Liabilities	\$19,414,777	\$20,549,218
Net Assets:		
Invested in capital assets	\$5,718,518	\$5,826,121
Restricted for debt service	\$910,089	\$950,669
Restricted for federal and state programs	\$11,487	\$10,000
Restricted for construction	\$0	\$0
Unrestricted	\$4,832,576	\$4,104,015
Total Net Assets	\$11,472,670	\$10,890,805

BRADY INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS - TABLES

Table 2

Brady Independent School District's Changes in Net Assets

	Governmental Activities	
	2012	2011
Program Revenues:		
Charges for services	\$269,206	\$291,297
Operating grants and contributions	\$2,272,429	\$3,145,654
Capital grants and contributions		
General Revenues:		
Property taxes	\$5,389,892	\$4,949,045
State aid - formula	\$6,877,093	\$7,602,449
Investment earnings	\$120,232	\$72,709
Other revenues	\$425,205	\$374,869
Special items inflow	\$43,434	\$6,198
Special items outflow - abandonment loss	\$0	(\$151,660)
Total Revenues	\$15,397,491	\$16,290,561
Expenditures:		
Instruction	\$6,917,743	\$7,855,900
Instructional resources and media services	\$165,009	\$181,110
Curriculum development and staff development	\$122,551	\$128,458
Instructional leadership	\$177,259	\$164,478
School leadership	\$728,782	\$829,956
Guidance and counseling services	\$605,588	\$611,879
Social work services	\$39,502	\$37,968
Health services	\$91,828	\$129,340
Student (pupil) transportation	\$422,455	\$404,770
Food services	\$808,528	\$870,812
Curricular/extracurricular activities	\$697,747	\$706,526
General administration	\$538,214	\$562,766
Plant maintenance & operation	\$1,641,907	\$1,450,218
Security and monitoring services	\$6,859	\$6,196
Data processing services	\$215,183	\$205,665
Community Services	\$41,342	\$112,713
Debt services	\$867,077	\$892,099
Payments to fiscal agent/member districts SSA	\$566,288	\$352,660
Other intergovernmental charges	\$161,764	\$154,352
Total Expenditures	\$14,815,626	\$15,657,866
Excess (Deficiency) Before Other Resources, Uses, and Transfers	\$581,865	\$632,695
Other Resources (Uses)		
Transfers In (Out)	\$0	\$0
Increase (Decrease) in Net Assets	\$581,865	\$632,695
Net Assets - Beginning	\$10,890,805	\$10,258,109
Prior Period Adjustments & Rounding	\$0	\$1
Net Assets - Ending	\$11,472,670	\$10,890,805

BRADY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - TABLES

Table 3
 Brady Independent School District's Capital Assets

	Governmental Activities	
	2012	2011
Land	\$401,905	\$401,905
Buildings and improvements	\$33,586,122	\$33,586,122
Equipment and vehicles	\$3,692,846	\$3,538,477
Total Capital Assets	\$37,680,873	\$37,526,504
Total Accumulated Depreciation	\$13,263,912	\$12,296,046
Net Capital Assets	\$24,416,961	\$25,230,458

Table 4
 Brady Independent School District's Long-term Debt

	Governmental Activities	
	2012	2011
Bonds payable	\$18,615,000	\$19,300,000
Capital leases payable	\$0	\$16,794
Unamortized bond premium	\$83,443	\$87,543
Total Long-term Debt	\$18,698,443	\$19,404,337

Basic Financial Statements

BRADY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AUGUST 31, 2012

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,988,181
1120	<i>Current Investments</i>	3,972,685
1225	<i>Property Taxes Receivable (Net)</i>	152,194
1240	<i>Due from Other Governments</i>	107,923
1290	<i>Other Receivables (Net)</i>	51,537
1410	<i>Deferred Expenses</i>	52,437
1420	<i>Capitalized Bond and Other Debt Issuance Costs</i>	145,514
1490	<i>Other Current Assets</i>	15
Capital Assets:		
1510	<i>Land</i>	401,906
1520	<i>Buildings and Improvements, Net</i>	22,576,502
1530	<i>Furniture and Equipment, Net</i>	1,438,553
1000	Total Assets	<u>30,887,447</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	27,104
2165	<i>Accrued Liabilities</i>	289,887
2300	<i>Unearned Revenue</i>	399,343
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	710,000
2502	<i>Due in More Than One Year</i>	17,988,443
2000	Total Liabilities	<u>19,414,777</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	5,718,518
Restricted For:		
3820	State and Federal Programs	11,487
3850	Debt Service	910,089
3900	Unrestricted	4,832,576
3000	Total Net Assets	<u>\$ 11,472,670</u>

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 6,917,743	\$ 20,839	\$ 1,044,976	\$ (5,851,928)	
12	Instructional Resources and Media Services	165,009	--	1,044	(163,965)	
13	Curriculum and Staff Development	122,551	--	60,665	(61,886)	
21	Instructional Leadership	177,259	--	--	(177,259)	
23	School Leadership	728,782	--	260,701	(468,081)	
31	Guidance, Counseling, & Evaluation Services	605,588	--	100,700	(504,888)	
32	Social Work Services	39,502	--	32,514	(6,988)	
33	Health Services	91,828	--	--	(91,828)	
34	Student Transportation	422,455	--	--	(422,455)	
35	Food Service	808,528	181,684	483,334	(143,510)	
36	Cocurricular/Extracurricular Activities	697,747	66,683	--	(631,064)	
41	General Administration	538,214	--	350	(537,864)	
51	Plant Maintenance and Operations	1,641,907	--	--	(1,641,907)	
52	Security and Monitoring Services	6,859	--	--	(6,859)	
53	Data Processing Services	215,183	--	--	(215,183)	
61	Community Services	41,342	--	7,618	(33,724)	
72	Interest on Long-term Debt	852,864	--	162,527	(690,337)	
73	Bond Issuance Costs and Fees	14,213	--	--	(14,213)	
93	Payments Related to Shared Services Arrangements	566,288	--	118,000	(448,288)	
99	Other Intergovernmental Charges	161,764	--	--	(161,764)	
TG	Total Governmental Activities	<u>14,815,626</u>	<u>269,206</u>	<u>2,272,429</u>	<u>(12,273,991)</u>	
TP	Total Primary Government	<u>\$ 14,815,626</u>	<u>\$ 269,206</u>	<u>\$ 2,272,429</u>	<u>(12,273,991)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				4,074,982	
DT	Property Taxes, Levied for Debt Service				1,314,910	
IE	Investment Earnings				120,232	
GC	Grants and Contributions Not Restricted to Specific Programs				6,877,093	
MI	Miscellaneous				425,205	
	Special and Extraordinary Items:					
S1	Special Item Inflow				<u>43,434</u>	
TR	Total General Revenues				<u>12,855,856</u>	
CN	Change in Net Assets				<u>581,865</u>	
NB	Net Assets - Beginning				<u>10,890,805</u>	
NE	Net Assets - Ending				<u>\$ 11,472,670</u>	

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2012

Data Control Codes	10 General Fund	Medicaid Reimbursement Fund
ASSETS:		
1110 Cash and Cash Equivalents	\$ 1,456,091	\$ 341,344
1120 Current Investments	2,768,690	302,663
1225 Taxes Receivable, Net	118,427	--
1240 Due from Other Governments	--	--
1290 Other Receivables	40,077	--
1410 Deferred Expenditures	49,467	--
1490 Other Current Assets	15	--
1000 Total Assets	<u>\$ 4,432,767</u>	<u>\$ 644,007</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 27,104	\$ --
2160 Accrued Wages Payable	218,035	--
2200 Accrued Expenditures	4,088	--
2300 Deferred Revenue	517,771	--
2000 Total Liabilities	<u>766,998</u>	<u>--</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3415 Long-Term Loans/Notes Receivable	--	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3490 Other Restrictions of Fund Balance	--	644,007
Committed Fund Balances:		
3510 Construction	700,000	--
3530 Capital Expenditures for Equipment	100,000	--
3600 Unassigned	2,865,769	--
3000 Total Fund Balances	<u>3,665,769</u>	<u>644,007</u>
4000 Total Liabilities and Fund Balances	<u>\$ 4,432,767</u>	<u>\$ 644,007</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 148,629	\$ 42,117	\$ 1,988,181
750,000	151,332	3,972,685
33,767	--	152,194
--	107,923	107,923
11,460	--	51,537
--	2,970	52,437
--	--	15
<u>\$ 943,856</u>	<u>\$ 304,342</u>	<u>\$ 6,324,972</u>
\$ --	\$ --	\$ 27,104
--	64,233	282,268
--	3,531	7,619
33,767	--	551,538
<u>33,767</u>	<u>67,764</u>	<u>868,529</u>
910,089	--	910,089
--	11,487	11,487
--	225,091	869,098
--	--	700,000
--	--	100,000
--	--	2,865,769
<u>910,089</u>	<u>236,578</u>	<u>5,456,443</u>
<u>\$ 943,856</u>	<u>\$ 304,342</u>	<u>\$ 6,324,972</u>

BRADY INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2012

Total fund balances - governmental funds balance sheet	\$ 5,456,443
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	24,416,961
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	152,195
Payables for bond principal which are not due in the current period are not reported in the funds.	(18,615,000)
Premiums on bonds issued are amortized in the government-wide financial statements.	(83,443)
Bond issuance costs are amortized in the government-wide financial statements.	<u>145,514</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 11,472,670</u>

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	10	
	General Fund	Medicaid Reimbursement Fund
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 4,373,881	\$ 5,313
5800 <i>State Program Revenues</i>	6,223,751	--
5900 <i>Federal Program Revenues</i>	8,845	288,009
5020 Total Revenues	<u>10,606,477</u>	<u>293,322</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	5,099,880	41,124
0012 <i>Instructional Resources and Media Services</i>	152,024	--
0013 <i>Curriculum and Staff Development</i>	51,342	1,676
0021 <i>Instructional Leadership</i>	2,773	47,522
0023 <i>School Leadership</i>	415,343	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	198,293	1,932
0032 <i>Social Work Services</i>	129	--
0033 <i>Health Services</i>	85,183	--
0034 <i>Student Transportation</i>	474,151	962
0035 <i>Food Service</i>	20,556	--
0036 <i>Cocurricular/Extracurricular Activities</i>	647,255	--
0041 <i>General Administration</i>	494,416	--
0051 <i>Plant Maintenance and Operations</i>	1,487,961	19,364
0052 <i>Security and Monitoring Services</i>	6,363	--
0053 <i>Data Processing Services</i>	189,463	--
0061 <i>Community Services</i>	30,732	--
0071 <i>Principal on Long-term Debt</i>	16,794	--
0072 <i>Interest on Long-term Debt</i>	--	--
0073 <i>Bond Issuance Costs and Fees</i>	--	--
0093 <i>Payments to Shared Service Arrangements</i>	298,288	150,000
0099 <i>Other Intergovernmental Charges</i>	161,764	--
6030 Total Expenditures	<u>9,832,710</u>	<u>262,580</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>773,767</u>	<u>30,742</u>
Other Financing Sources and (Uses):		
7912 <i>Sale of Real or Personal Property</i>	220	--
7915 <i>Transfers In</i>	--	--
7949 <i>Other Resources</i>	43,214	--
8911 <i>Transfers Out</i>	(105,000)	--
7080 Total Other Financing Sources and (Uses)	<u>(61,566)</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>712,201</u>	<u>30,742</u>
0100 Fund Balances - Beginning	<u>2,953,568</u>	<u>613,265</u>
3000 Fund Balances - Ending	<u>\$ 3,665,769</u>	<u>\$ 644,007</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 1,340,105	\$ 499,553	\$ 6,218,852
162,527	394,998	6,781,276
2,752	2,068,640	2,368,246
<u>1,505,384</u>	<u>2,963,191</u>	<u>15,368,374</u>
--	1,301,419	6,442,423
--	1,044	153,068
--	60,665	113,683
--	114,137	164,432
--	260,701	676,044
--	361,540	561,765
--	36,514	36,643
--	--	85,183
--	611	475,724
--	729,463	750,019
--	--	647,255
--	4,850	499,266
--	49,846	1,557,171
--	--	6,363
--	10,148	199,611
--	7,618	38,350
685,000	--	701,794
856,964	--	856,964
4,000	--	4,000
--	118,000	566,288
--	--	161,764
<u>1,545,964</u>	<u>3,056,556</u>	<u>14,697,810</u>
<u>(40,580)</u>	<u>(93,365)</u>	<u>670,564</u>
--	--	220
--	105,000	105,000
--	--	43,214
--	--	(105,000)
--	105,000	43,434
<u>(40,580)</u>	<u>11,635</u>	<u>713,998</u>
950,669	224,943	4,742,445
<u>\$ 910,089</u>	<u>\$ 236,578</u>	<u>\$ 5,456,443</u>

BRADY INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012

Net change in fund balances - total governmental funds	\$ 713,998
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	154,369
The depreciation of capital assets used in governmental activities is not reported in the funds.	(967,867)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(14,317)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	685,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	16,794
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(10,213)
Bond premiums are amortized in the SOA but not in the funds.	<u>4,100</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 581,865</u>

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2012

Data Control Codes		Agency Fund
		Student Activity
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 65,078
1000	Total Assets	<u>\$ 65,078</u>
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 65,078
2000	Total Liabilities	<u>65,078</u>
	NET ASSETS	
3000	Total Net Assets	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2012

A. Summary of Significant Accounting Policies

The basic financial statements of Brady Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: This fund accounts for the taxes collected for debt service and the related debt service payment.

Medicaid Reimbursement Fund: This fund accounts for the Coop's medicaid reimbursements and expenditures.

In addition, the District reports the following fund types:

BRADY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2012

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

BRADY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

f. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

g. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

BRADY INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012*

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient

BRADY INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012*

to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,174,444 and the bank balance was \$6,164,193. The District's cash deposits at August 31, 2012 and during the year ended August 31, 2012, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2012 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Time Deposits	N/A	\$ 18,690
Certificates of Deposit	Less Than One Year	3,953,995
Total Investments		<u>\$ 3,972,685</u>

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2012, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Certificates of Deposit	\$3,953,995	Secured by FDIC and
Time Deposits	\$18,690	Pledged Securities

BRADY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2012

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

D. Capital Assets

Capital asset activity for the year ended August 31, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 401,905	\$ --	\$ --	\$ 401,905
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>401,905</u>	<u>--</u>	<u>--</u>	<u>401,905</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	33,586,122	--	--	33,586,122
Equipment	1,302,274	63,989	--	1,366,263
Vehicles	2,236,203	90,380	--	2,326,583
Total capital assets being depreciated	<u>37,124,599</u>	<u>154,369</u>	<u>--</u>	<u>37,278,968</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,323,315)	--	686,305	(11,009,620)
Equipment	(577,045)	--	127,659	(704,703)
Vehicles	(1,395,686)	--	153,903	(1,549,590)
Total accumulated depreciation	<u>(12,296,046)</u>	<u>--</u>	<u>967,867</u>	<u>(13,263,913)</u>
Total capital assets being depreciated, net	<u>24,828,553</u>	<u>154,369</u>	<u>967,867</u>	<u>24,015,055</u>
Governmental activities capital assets, net	<u>\$ 25,230,458</u>	<u>\$ 154,369</u>	<u>\$ 967,867</u>	<u>\$ 24,416,961</u>

Depreciation was charged to functions as follows:

Instruction	\$ 502,572
Instructional Resources and Media Services	11,941
Curriculum and Staff Development	8,868
Instructional Leadership	12,827
School Leadership	52,738
Guidance, Counseling, & Evaluation Services	43,823
Social Work Services	2,859
Health Services	6,645
Student Transportation	37,111
Food Services	58,509
Extracurricular Activities	50,492
General Administration	38,948
Plant Maintenance and Operations	121,475
Security and Monitoring Services	496
Data Processing Services	15,572
Community Services	2,992
	<u>\$ 967,867</u>

BRADY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2012, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ --	Short-term loans
General Fund	Major fund (specify fund name)	--	For transfer of federal receipts
Major fund (specify fund name)	General Fund	--	Capital projects expenditures
Other Governmental Funds	General Fund	--	Specify purpose here
	Other Balances	--	
	Total	\$ --	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2012, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Debt service fund	\$ --	Provide resources for repayment of certificates of participation
General fund	Other Governmental Funds	--	Pay debt service on health insurance financing bonds
General fund	Other Governmental Funds	105,000	Supplement other funds sources
Major fund (specify fund name)	General Fund	--	Reimburse expenditures
Other Governmental Funds	Other Governmental Funds	--	Supplement other funds sources
	Total	\$ 105,000	

F. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. The District has no short-term debt.

G. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2012, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 19,300,000	\$ --	\$ 685,000	\$ 18,615,000	\$ 710,000
Capital leases	16,794	--	16,794	--	--
Premiums on Bonds	87,543	--	4,100	83,443	--
Compensated absences *	--	--	--	--	--
Claims and judgments *	--	--	--	--	--
Total governmental activities	\$ 19,404,337	\$ --	\$ 705,894	\$ 18,698,443	\$ 710,000

BRADY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2012

Interest rates on bonds range from 3.4% to 4.8%.

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	N/A
Claims and judgments	Governmental	General
Compensated absences	Business-type	N/A
Claims and judgments	Business-type	N/A

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2012, are as follows:

<u>Year Ending August 31.</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 710,000	\$ 831,537	\$ 1,541,537
2014	250,000	813,644	1,063,644
2015	260,000	803,262	1,063,262
2016	750,000	783,798	1,533,798
2017	775,000	755,324	1,530,324
2018-2022	4,300,000	3,311,786	7,611,786
2023-2027	2,965,000	2,602,530	5,567,530
2028-2032	3,780,000	1,791,250	5,571,250
2033-2037	4,825,000	747,000	5,572,000
2038-2042			--
Totals	<u>\$ 18,615,000</u>	<u>\$ 12,440,130</u>	<u>\$ 31,055,130</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2012, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
Unlimited Tax School Building & Ref Series 1997	587,707
Unlimited Tax School Building & Ref Series 1997	2,385,000
Unlimited Tax School Building & Ref Series 1999	5,094,995
Total	<u>8,067,702</u>

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2012, as follows:

<u>Year Ending August 31:</u>	
Total Minimum Rentals	<u>\$ --</u>
Rental Expenditures in 2012	<u>\$ 16,794</u>

BRADY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2012

The effective interest rate on capital leases is 0.000%.

H. Commitments Under Noncapitalized Leases

The District does not have any noncapitalized leases.

I. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2012, 2011 and 2010, and a state contribution rate of 6.0% for fiscal year 2012 and 6.644 for fiscal years 2011 and 2010. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2012, 2011 and 2010 were \$449,243, \$491,835 and \$526,399, respectively. The District paid additional state contributions for the years ending August 31, 2012, 2011 and 2010 in the amount of \$121,396, \$159,281 and \$159,125, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

K. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered

BRADY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2012

by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2011 and 2010. For the years ended August 31, 2012, 2011, and 2010, the State's contributions to TRS-Care were \$70,194, \$76,849, and \$82,250, respectively, the active member contributions were \$45,268, \$49,953, and \$53,466, respectively, and the District's contributions were \$38,606, \$42,267, and \$45,237, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2012, 2011, and 2010, the subsidy payments received by TRS-Care on behalf of the District were \$16,885, \$19,347, and \$20,804, respectively.

3. Early Retiree Reinsurance Program (ERRP)

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependants regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor.

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. For the fiscal year ended August 31, 2012, the amount received by TRS-Care on behalf of the District was \$18,618.

L. Employee Health Care Coverage

During the period ended August 31, 2012, employees of the District were covered by a health insurance plan, the TRS Health Care Plan. The District met all of the requirements of the Plan and paid \$394,626 of premiums in the year ended August 31, 2012.

BRADY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

M. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2012.

N. Shared Services Arrangements

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services and support to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund 437, Shared Services Arrangement - Special Education and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Member Districts	Expenditures
Brady ISD	\$ 297,718
Lohn ISD	34,593
Rochelle ISD	45,306
Cherokee ISD	29,815
San Saba ISD	119,420
Richland Springs ISD	30,441
Special Services to Other Coops	40,338
Total	<u>\$ 597,631</u>

O. Subsequent Events

Management has reviewed all transactions and events from August 31, 2012 to October 16, 2012. There were no reportable subsequent events.

P. Due from Other Governments

The following is a summary of amounts due from other governmental entities as of August 31, 2012:

	State Revenue Sources	Federal Revenue Sources	Total
General Fund	—	—	—
Special Revenue Fund	<u>\$2,874</u>	<u>\$105,049</u>	<u>\$107,923</u>
Total Due from Other Governmental Entities	<u>\$2,874</u>	<u>\$105,049</u>	<u>\$107,923</u>

BRADY INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012*

Q. Unearned Revenue in Individual Funds

The unearned revenue in individual funds as August 31, 2012 consists of the following:

General Fund:

Property tax revenue	\$118,428
State foundation revenue	\$399,343

Special Revenue Funds:

Federal and state grant and entitlements	--
--	----

Debt Service Fund:

Property tax revenue	\$33,767
Total Deferred Revenue	<u>\$551,538</u>

R. Special Items In

The special items in consist of gain on sale of equipment in the amount of \$220 and proceeds from insurance recovery of \$43,214 for damage repairs.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

BRADY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

Page 1 of 2

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources	\$ 3,913,075	\$ 3,974,625	\$ 4,373,881	\$ 399,256		
5800	State Program Revenues	6,659,806	6,659,806	6,223,751	(436,055)		
5900	Federal Program Revenues	13,962	13,962	8,845	(5,117)		
5020	Total Revenues	<u>10,586,843</u>	<u>10,648,393</u>	<u>10,606,477</u>	<u>(41,916)</u>		
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	5,278,665	5,216,441	5,099,880	116,561		
0012	Instructional Resources and Media Services	180,131	180,131	152,024	28,107		
0013	Curriculum and Staff Development	59,040	58,739	51,342	7,397		
	Total Instruction & Instr. Related Services	<u>5,517,836</u>	<u>5,455,311</u>	<u>5,303,246</u>	<u>152,065</u>		
Instructional and School Leadership:							
0021	Instructional Leadership	1,400	4,685	2,773	1,912		
0023	School Leadership	540,097	470,032	415,343	54,689		
	Total Instructional & School Leadership	<u>541,497</u>	<u>474,717</u>	<u>418,116</u>	<u>56,601</u>		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	213,505	214,082	198,293	15,789		
0032	Social Work Services	1,300	1,400	129	1,271		
0033	Health Services	87,707	92,707	85,183	7,524		
0034	Student (Pupil) Transportation	605,227	605,227	474,151	131,076		
0035	Food Services	24,000	42,000	20,556	21,444		
0036	Cocurricular/Extracurricular Activities	609,674	684,638	647,255	37,383		
	Total Support Services - Student (Pupil)	<u>1,541,413</u>	<u>1,640,054</u>	<u>1,425,567</u>	<u>214,487</u>		
Administrative Support Services:							
0041	General Administration	507,200	545,184	494,416	50,768		
	Total Administrative Support Services	<u>507,200</u>	<u>545,184</u>	<u>494,416</u>	<u>50,768</u>		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	1,576,495	1,665,120	1,487,961	177,159		
0052	Security and Monitoring Services	22,300	22,300	6,363	15,937		
0053	Data Processing Services	190,975	211,175	189,463	21,712		
	Total Support Services - Nonstudent Based	<u>1,789,770</u>	<u>1,898,595</u>	<u>1,683,787</u>	<u>214,808</u>		
Ancillary Services:							
0061	Community Services	91,949	47,449	30,732	16,717		
	Total Ancillary Services	<u>91,949</u>	<u>47,449</u>	<u>30,732</u>	<u>16,717</u>		
Debt Service:							
0071	Principal on Long-Term Debt	16,795	17,795	16,794	1,001		
	Total Debt Service	<u>16,795</u>	<u>17,795</u>	<u>16,794</u>	<u>1,001</u>		
Intergovernmental Charges:							
0093	Payments to Fiscal Agent/Member Dist.-SSA	298,288	298,288	298,288	-		
0099	Other Intergovernmental Charges	164,000	165,000	161,764	3,236		
	Total Intergovernmental Charges	<u>462,288</u>	<u>463,288</u>	<u>460,052</u>	<u>3,236</u>		
6030	Total Expenditures	<u>10,468,748</u>	<u>10,542,393</u>	<u>9,832,710</u>	<u>709,683</u>		

BRADY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	118,095	106,000	773,767	667,767
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	2,000	220	(1,780)
7949	Other Resources	--	2,000	43,214	41,214
8911	Transfers Out	--	(115,000)	(105,000)	10,000
7080	Total Other Financing Sources and (Uses)	--	(111,000)	(61,566)	49,434
1200	Net Change in Fund Balance	118,095	(5,000)	712,201	717,201
0100	Fund Balance - Beginning	2,953,569	2,953,569	2,953,568	(1)
3000	Fund Balance - Ending	\$ 3,071,664	\$ 2,948,569	\$ 3,665,769	\$ 717,200

BRADY INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

*MEDICAID REIMBURSEMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2012*

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	<i>Local and Intermediate Sources</i>	\$ 2,650	\$ 2,650	\$ 5,313	\$ 2,663
5900	<i>Federal Program Revenues</i>	180,886	180,086	288,009	107,923
5020	Total Revenues	<u>183,536</u>	<u>182,736</u>	<u>293,322</u>	<u>110,586</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	<i>Instruction</i>	98,899	98,899	41,124	57,775
0013	<i>Curriculum and Staff Development</i>	1,676	1,676	1,676	--
	Total Instruction & Instr. Related Services	<u>100,575</u>	<u>100,575</u>	<u>42,800</u>	<u>57,775</u>
Instructional and School Leadership:					
0021	<i>Instructional Leadership</i>	47,523	47,523	47,522	1
	Total Instructional & School Leadership	<u>47,523</u>	<u>47,523</u>	<u>47,522</u>	<u>1</u>
Support Services - Student (Pupil):					
0031	<i>Guidance, Counseling and Evaluation Services</i>	1,933	1,933	1,932	1
0034	<i>Student (Pupil) Transportation</i>	962	962	962	--
	Total Support Services - Student (Pupil)	<u>2,895</u>	<u>2,895</u>	<u>2,894</u>	<u>1</u>
Support Services - Nonstudent Based:					
0051	<i>Plant Maintenance and Operations</i>	19,364	19,455	19,364	91
	Total Support Services - Nonstudent Based	<u>19,364</u>	<u>19,455</u>	<u>19,364</u>	<u>91</u>
Intergovernmental Charges:					
0093	<i>Payments to Fiscal Agent/Member Dist.-SSA</i>	150,000	164,926	150,000	14,926
	Total Intergovernmental Charges	<u>150,000</u>	<u>164,926</u>	<u>150,000</u>	<u>14,926</u>
6030	Total Expenditures	<u>320,357</u>	<u>335,374</u>	<u>262,580</u>	<u>72,794</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(136,821)	(152,638)	30,742	183,380
1200	Net Change in Fund Balance	<u>(136,821)</u>	<u>(152,638)</u>	<u>30,742</u>	<u>183,380</u>
0100	Fund Balance - Beginning	613,265	613,265	613,265	--
3000	Fund Balance - Ending	<u>\$ 476,444</u>	<u>\$ 460,627</u>	<u>\$ 644,007</u>	<u>\$ 183,380</u>

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

BRADY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2012

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	242 Summer Feeding Program	255 ESEA Title II Training & Recruiting	
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ 2,388	\$ --	\$ --
1120	Current Investments	--	--	--	--
1240	Due from Other Governments	16,506	11,885	--	3,866
1410	Deferred Expenditures	--	2,795	--	--
1000	Total Assets	<u>\$ 16,506</u>	<u>\$ 17,068</u>	<u>\$ --</u>	<u>\$ 3,866</u>
LIABILITIES:					
Current Liabilities:					
2160	Accrued Wages Payable	\$ 15,181	\$ 5,479	\$ --	\$ 3,552
2200	Accrued Expenditures	1,325	102	--	314
2000	Total Liabilities	<u>16,506</u>	<u>5,581</u>	<u>--</u>	<u>3,866</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	11,487	--	--
3490	Other Restrictions of Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>11,487</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 16,506</u>	<u>\$ 17,068</u>	<u>\$ --</u>	<u>\$ 3,866</u>

287 Education Jobs Fund	313 IDEA-B Formula	314 IDEA-B Preschool	315 IDEA-B Discretionary	392 Non-Educational Community-Based Support
\$ (922)	\$ (5,651)	\$ (80)	\$ (49,880)	\$ --
--	--	--	--	--
922	20,499	1,491	49,880	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ 14,848</u>	<u>\$ 1,411</u>	<u>\$ --</u>	<u>\$ --</u>
\$ --	\$ 13,648	\$ 1,296	\$ --	\$ --
--	1,200	115	--	--
<u>--</u>	<u>14,848</u>	<u>1,411</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>14,848</u>	<u>1,411</u>	<u>--</u>	<u>--</u>

BRADY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2012

Data Control Codes	410 State Textbook Fund	437 Special Education	Total Nonmajor Special Revenue Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ --	\$ 96,262	\$ 42,117
1120	Current Investments	--	151,332	151,332
1240	Due from Other Governments	--	2,874	107,923
1410	Deferred Expenditures	--	175	2,970
1000	Total Assets	\$ --	\$ 250,643	\$ 304,342
LIABILITIES:				
Current Liabilities:				
2160	Accrued Wages Payable	\$ --	\$ 25,077	\$ 64,233
2200	Accrued Expenditures	--	475	3,531
2000	Total Liabilities	--	25,552	67,764
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	11,487
3490	Other Restrictions of Fund Balance	--	225,091	225,091
3000	Total Fund Balances	--	225,091	236,578
4000	Total Liabilities and Fund Balances	\$ --	\$ 250,643	\$ 304,342

BRADY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
REVENUES:			
5700 Local and Intermediate Sources	\$ --	\$ 189,062	\$ --
5800 State Program Revenues	--	4,015	--
5900 Federal Program Revenues	527,631	479,319	95,620
5020 Total Revenues	<u>527,631</u>	<u>672,396</u>	<u>95,620</u>
EXPENDITURES:			
Current:			
0011 Instruction	450,590	--	72,597
0012 Instructional Resources and Media Services	--	--	--
0013 Curriculum and Staff Development	37,507	--	23,023
0021 Instructional Leadership	--	--	--
0023 School Leadership	--	--	--
0031 Guidance, Counseling, & Evaluation Services	--	--	--
0032 Social Work Services	32,514	--	--
0034 Student Transportation	--	611	--
0035 Food Service	--	729,463	--
0041 General Administration	350	--	--
0051 Plant Maintenance and Operations	--	45,835	--
0053 Data Processing Services	--	--	--
0061 Community Services	6,670	--	--
0093 Payments to Shared Service Arrangements	--	--	--
6030 Total Expenditures	<u>527,631</u>	<u>775,909</u>	<u>95,620</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>(103,513)</u>	<u>--</u>
Other Financing Sources and (Uses):			
7915 Transfers In	--	105,000	--
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>105,000</u>	<u>--</u>
1200 Net Change in Fund Balances	--	1,487	--
0100 Fund Balances - Beginning	--	10,000	--
Fund Balances - Beginning, as Restated	--	10,000	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 11,487</u>	<u>\$ --</u>

287 Education Jobs Fund	313 IDEA-B Formula	314 IDEA-B Preschool	315 IDEA-B Discretionary	392 Non-Educational Community-Based Support
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	4,000
<u>260,701</u>	<u>557,264</u>	<u>12,291</u>	<u>135,814</u>	<u>--</u>
<u>260,701</u>	<u>557,264</u>	<u>12,291</u>	<u>135,814</u>	<u>4,000</u>
--	347,233	2,539	135,814	--
--	--	--	--	--
--	135	--	--	--
--	--	--	--	--
260,701	--	--	--	--
--	90,948	9,752	--	--
--	--	--	--	4,000
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	948	--	--	--
--	118,000	--	--	--
<u>260,701</u>	<u>557,264</u>	<u>12,291</u>	<u>135,814</u>	<u>4,000</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

BRADY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	410 State Textbook Fund	437 Special Education	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 310,491	\$ 499,553
5800 <i>State Program Revenues</i>	89,695	297,288	394,998
5900 <i>Federal Program Revenues</i>	--	--	2,068,640
5020 Total Revenues	<u>89,695</u>	<u>607,779</u>	<u>2,963,191</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	88,651	203,995	1,301,419
0012 <i>Instructional Resources and Media Services</i>	1,044	--	1,044
0013 <i>Curriculum and Staff Development</i>	--	--	60,665
0021 <i>Instructional Leadership</i>	--	114,137	114,137
0023 <i>School Leadership</i>	--	--	260,701
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	260,840	361,540
0032 <i>Social Work Services</i>	--	--	36,514
0034 <i>Student Transportation</i>	--	--	611
0035 <i>Food Service</i>	--	--	729,463
0041 <i>General Administration</i>	--	4,500	4,850
0051 <i>Plant Maintenance and Operations</i>	--	4,011	49,846
0053 <i>Data Processing Services</i>	--	10,148	10,148
0061 <i>Community Services</i>	--	--	7,618
0093 <i>Payments to Shared Service Arrangements</i>	--	--	118,000
6030 Total Expenditures	<u>89,695</u>	<u>597,631</u>	<u>3,056,556</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>10,148</u>	<u>(93,365)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	--	105,000
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>105,000</u>
1200 Net Change in Fund Balances	<u>--</u>	<u>10,148</u>	<u>11,635</u>
0100 Fund Balances - Beginning	<u>--</u>	<u>214,943</u>	<u>224,943</u>
Fund Balances - Beginning, as Restated	<u>--</u>	<u>214,943</u>	<u>224,943</u>
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 225,091</u>	<u>\$ 236,578</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED AUGUST 31, 2012

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2003 and Prior Years	\$	Various	\$	Various	\$	Various
2004		1.50		.156		211,796,120
2005		1.50		.156		218,399,603
2006		1.50		.157		259,101,260
2007		1.35		.157		243,357,817
2008		1.04		.4652		269,421,910
2009		1.04		.4652		298,114,920
2010		1.04		.3275		324,555,400
2011		1.04		.3275		363,644,370
2012 (School Year Under Audit)		1.04		.3275		376,576,660

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/11	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/12
\$ 102,194	\$ --	\$ 3,425	\$ 543	\$ (2,538)	\$ 95,688
10,837	--	2,010	209	(462)	8,156
15,339	--	3,368	348	(501)	11,122
16,344	--	4,484	472	(444)	10,945
15,681	--	5,413	624	(482)	9,161
27,025	--	7,108	3,212	(598)	16,107
49,606	--	14,920	6,881	(2,051)	25,754
70,793	--	23,147	7,518	(505)	39,623
169,287	--	62,132	19,832	(1,907)	85,416
--	5,149,686	3,844,381	1,250,249	77,272	132,328
<u>\$ 477,106</u>	<u>\$ 5,149,686</u>	<u>\$ 3,970,390</u>	<u>\$ 1,289,889</u>	<u>\$ 67,786</u>	<u>\$ 434,299</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

BRADY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2013-2014

GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2012

FUNCTION 41 - GENERAL ADMINISTRATION AND FUNCTION 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 136,041	\$ 189,326	\$ --	\$ 19,794	\$ 345,161
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	35,406	--	--	--	--	--	35,406
6212	Audit Services	--	--	--	16,000	--	--	16,000
6213	Tax Appraisal and Collection	--	161,764	--	--	--	--	161,764
621X	Other Prof. Services	2,325	--	6,785	22,701	--	--	31,811
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	5,920	--	--	5,920
6240	Contr. Maint. and Repair	--	--	--	--	4,484	--	4,484
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	--	10,263	--	10,263
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	3,368	--	2,936	9,645	--	--	15,949
6410	Travel, Subsistence, Stipends	2,073	--	2,369	1,524	--	--	5,966
6420	Ins. and Bonding Costs	--	--	175	175	--	--	350
6430	Election Costs	1,953	--	--	--	--	--	1,953
6490	Miscellaneous Operating	1,037	--	1,755	23,211	--	--	26,003
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 46,162 \$ 161,764 \$ 150,061 \$ 268,502 \$ 14,747 \$ 19,794 \$ 661,030

Total Expenditures for General and Special Revenue Funds (9) \$ 13,151,846

LESS: Deductions of Unallowable Costs

	FISCAL YEAR	
Total Capital Outlay (6600)	(10)	\$ 162,384
Total Debt & Lease (6500)	(11)	\$ 16,794
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,520,432
Food (Function 35, 6341 and 6499)	(13)	\$ 265,633
Stipends (6413)	(14)	\$ 1,035
Column 4 (above) - Total Indirect Cost		\$ 268,502

Subtotal 2,234,780

Net Allowed Direct Cost \$ 10,917,066

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 33,586,121
Historical Cost of Buildings over 50 years old	(16)	861,577
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	3,692,937
Historical Cost of Furniture & Equipment over 16 years old	(19)	--
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 69,843

(8) Note A - No Function 53 expenditures and \$161,764 in Function 99 expenditures are included in this report on administrative costs.

BRADY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2012

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2012 (Exhibit C-1 object 3000 for the General Fund only)	\$ 3,665,769
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	800,000
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	2,461,000
8	Estimate of delayed payments from state sources (58XX)	280,000
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	130,000
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	3,671,000
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ (5,231)

If Item 11 is a Positive Number

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

BRADY INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 188,122	\$ 189,062	\$ 940
5800 <i>State Program Revenues</i>	3,500	4,015	515
5900 <i>Federal Program Revenues</i>	506,810	479,319	(27,491)
5020 Total Revenues	<u>698,432</u>	<u>672,396</u>	<u>(26,036)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0034 <i>Student (Pupil) Transportation</i>	612	611	1
0035 <i>Food Services</i>	759,976	729,463	30,513
Total Support Services - Student (Pupil)	<u>760,588</u>	<u>730,074</u>	<u>30,514</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	52,844	45,835	7,009
Total Support Services - Nonstudent Based	<u>52,844</u>	<u>45,835</u>	<u>7,009</u>
6030 Total Expenditures	<u>813,432</u>	<u>775,909</u>	<u>37,523</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(115,000)</u>	<u>(103,513)</u>	<u>11,487</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	115,000	105,000	(10,000)
7080 Total Other Financing Sources and (Uses)	<u>115,000</u>	<u>105,000</u>	<u>(10,000)</u>
1200 Net Change in Fund Balance	<u>--</u>	<u>1,487</u>	<u>1,487</u>
0100 Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ 10,000</u>	<u>\$ 11,487</u>	<u>\$ 1,487</u>

BRADY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,318,759	\$ 1,340,105	\$ 21,346
5800 <i>State Program Revenues</i>	153,206	162,527	9,321
5900 <i>Federal Program Revenues</i>	--	2,752	2,752
5020 Total Revenues	<u>1,471,965</u>	<u>1,505,384</u>	<u>33,419</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	685,000	685,000	--
0072 <i>Interest on Long-Term Debt</i>	856,965	856,964	1
0073 <i>Bond Issuance Costs and Fees</i>	5,000	4,000	1,000
Total Debt Service	<u>1,546,965</u>	<u>1,545,964</u>	<u>1,001</u>
6030 Total Expenditures	<u>1,546,965</u>	<u>1,545,964</u>	<u>1,001</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(75,000)</u>	<u>(40,580)</u>	<u>34,420</u>
1200 Net Change in Fund Balance	<u>(75,000)</u>	<u>(40,580)</u>	<u>34,420</u>
0100 Fund Balance - Beginning	950,669	950,669	--
3000 Fund Balance - Ending	<u>\$ 875,669</u>	<u>\$ 910,089</u>	<u>\$ 34,420</u>

BURL D. LOWERY CPA
311 Center Avenue
Brownwood, TX 76801

Independent Auditor's Report

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

Board of Trustees
Brady Independent School District
100 West Main
Brady, Texas 76825-4527

Members of the Board of Trustees:

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brady Independent School District as of and for the year ended August 31, 2012, which collectively comprise the Brady Independent School District's basic financial statements and have issued my report thereon dated October 16, 2012. I conducted my 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 Brady Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Brady Independent School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Brady Independent School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Brady Independent School District'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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brady Independent School District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Burl D. Lowery". The signature is written in a cursive style with a large initial "B".

Burl D. Lowery
Certified Public Accountant

October 16, 2012

BURL D. LOWERY CPA
311 Center Avenue
Brownwood, TX 76801

Independent Auditor's Report

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

Board of Trustees
Brady Independent School District
100 West Main
Brady, Texas 76825-4527

Members of the Board of Trustees:

Compliance

I have audited Brady Independent School District's 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 Brady Independent School District's major federal programs for the year ended August 31, 2012. Brady Independent School District'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 Brady Independent School District's management. My responsibility is to express an opinion on Brady Independent School District's compliance based on my audit.

I conducted my 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 I 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 Brady Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Brady Independent School District's compliance with those requirements.

In my opinion, Brady Independent School District 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 August 31, 2012.

Internal Control Over Compliance

Management of Brady Independent School District 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 my audit, I considered Brady Independent School District'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 my 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, I do not express an opinion on the effectiveness of Brady Independent School District'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.

My 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. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, 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.

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

October 16, 2012

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA-B
84.173	IDEA-B Preschool
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

BRADY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
The prior audit had no findings or questioned costs.		

BRADY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2012

Nocorrective action plan is required as the audit has no findings or questioned costs.

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	1261010116090	\$ 511,125
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	13610101160901	16,506
Total CFDA Number 84.010a			<u>527,631</u>
<i>SSA IDEA-B Formula *</i>	84.027	12660001160901660C	542,416
<i>SSA IDEA-B Formula *</i>	84.027	13660001160901660C	14,848
<i>SSA IDEA-B Discretionary *</i>	84.027	12660006160901	135,814
Total CFDA Number 84.027			<u>693,078</u>
<i>SSA IDEA-B Preschool *</i>	84.173	12661001160901661C	10,880
<i>SSA IDEA-B Preschool *</i>	84.173	13661001160901661C	1,411
Total CFDA Number 84.173			<u>12,291</u>
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	12694501160901	91,754
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	13694501160901	3,866
Total CFDA Number 84.367a			<u>95,620</u>
<i>Education Jobs Fund</i>	84.410	11550101160901	260,701
Total Passed Through State Department of Education			<u>1,589,321</u>
Total U. S. Department of Education			<u>1,589,321</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401201	134,117
National School Lunch Program *	10.555	71301201	311,009
National School Lunch Program (Non-cash) *	10.555	71301201	34,193
Total CFDA Number 10.555			<u>345,202</u>
Total Passed Through State Department of Education			<u>479,319</u>
Total U. S. Department of Agriculture			<u>479,319</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,068,640</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Brady Independent School District and is presented on the modified 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 general purpose financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule, Brady Independent School District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
IDEA-B	84.027	\$ 118,000

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2012

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ --