



ANNUAL FINANCIAL
AND
COMPLIANCE REPORT

YEAR ENDED AUGUST 31, 2014

BRADY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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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 approved _____ disapproved _____ for the year ended August 31, 2014, at a meeting of the Board of Trustees of such school district on the _____ day of _____, 2014.

Signature of Board Secretary

Signature of Board President

INDEPENDENT AUDITOR'S REPORT

To the Board of School Trustees of the
Brady Independent School District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brady Independent School District (the District) as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our 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 the District as of August 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The combining nonmajor fund financial statements and the TEA required schedules 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 the 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 basic financial statements.

The schedule of expenditures of federal awards, the combining nonmajor fund financial statements and the TEA required schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Brady Independent School District's internal control over financial reporting and compliance.

Dennis Kinard & Co., PC

Certified Public Accountants

Abilene, Texas
December 9, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL STATEMENT HIGHLIGHTS

- The District's total combined net position was \$12,083,218 at August 31, 2014 of which \$4,557,884 was unrestricted.
- During the year, the District's expenses were \$657,952 less than the \$15,992,880 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$4,828,724 of which \$3,479,714 is subject to use at the District's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information*, and *other supplementary information* that presents combining statements for nonmajor governmental funds and other TEA required schedules.

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.
 - *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.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The notes are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the required supplementary information. The Texas Education Agency also requires certain schedules be included as other supplementary information. The following summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of the District's Government-wide and Fund Financial Statements

Type of Statement	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District's (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's accounts
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues expenditures & changes in fund balances	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic measurement focus	Modified accrual accounting and current financial measurement focus	Accrual accounting and economic measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or 60 days thereafter, no capital assets included	All assets and liabilities, both short-term and long-term
Type of in flow/out flow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or 60 days after the end of year, expenditures when goods or services have been received and payment is due during the year or 60 days thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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 position 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 the District's *net position* and how it has changed. Net position, 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 position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base and student enrollment.

The government-wide financial statements of the District include:

- *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, state aid, 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 or by bond covenants.
- The Board of Trustees established 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 two 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 one 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 on a subsequent page that explains the relationship (or differences) between them.
- *Fiduciary funds*- The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary activities include an agency fund and is reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE – GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net position. The District's *combined* net position was \$12,083,218 at August 31, 2014.

	Governmental Activities	
	2014	2013
	<u> </u>	<u>(as restated)</u>
Current and Other Assets	\$ 6,906,747	\$ 6,242,615
Capital Assets	24,257,639	25,199,510
Total Assets	<u>31,164,386</u>	<u>31,442,125</u>
Current Liabilities	793,514	1,033,649
Long-Term Liabilities	18,287,654	18,983,210
Total Liabilities	<u>19,081,168</u>	<u>20,016,859</u>
Net investment in capital assets	6,392,055	7,027,398
Restricted for Federal and State Programs	6,531	6,339
Restricted for Debt Service	1,126,748	1,004,819
Unrestricted	4,557,884	3,386,710
Total Net Position	<u>\$ 12,083,218</u>	<u>\$ 11,425,266</u>

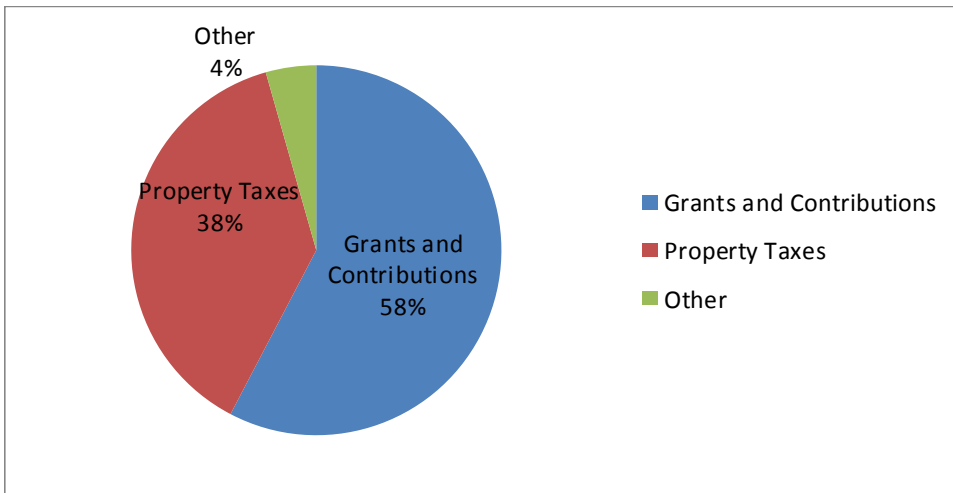
Net position of the District's governmental activities increased 5.8% to \$12,083,218. Approximately 62% of the net position is either restricted as to the purposes for which they can be used or they are invested in capital assets. Unrestricted net position was \$4,557,884 at the end of this year.

Changes in net position. The District's total revenues were \$15,992,880 at August 31, 2014. (See the table below). In the 2014 fiscal year, 38% of the District's revenue came from property taxes, 37% came from state aid formula grants, and the remainder is from charges for services and federal grants.

The total cost of all programs and services was \$15,334,928 of which 47% was for direct instruction program costs. The District's expenses include instructional programs, campus leadership, guidance and counseling services, health services, student transportation, food services, general administration, plant maintenance and operations, security, interest on long-term debt, and other miscellaneous costs.

	Governmental Activities	
	2014	2013
	<u> </u>	<u>(as restated)</u>
Revenues		
<u>Program Revenues</u>		
Charges for Services	\$ 442,717	\$ 233,945
Grants for Specific Purposes	3,283,881	1,903,362
<u>General Revenues</u>		
Property Taxes	6,063,363	5,806,200
State Aid - Formula Grants	5,922,423	6,505,383
Grants and Contributions not Restricted	18,229	-
Investment Earnings	74,689	116,640
Miscellaneous Local and Intermediate Revenue	187,578	(81,626)
Total Revenues	<u>15,992,880</u>	<u>14,483,904</u>
Expenses		
Instruction	7,154,660	6,984,513
Instructional Resources and Media Services	196,764	152,449
Curriculum and Staff Development	119,974	144,780
Instructional Leadership	150,713	154,804
School Leadership	834,853	850,009
Guidance Counseling and Evaluation Services	528,064	548,064
Social Work Services	33,503	35,903
Health Services	106,327	99,413
Student Transportation	636,452	416,042
Food Services	831,924	822,600
Extracurricular Activities	892,719	732,914
General Administration	502,078	518,712
Facilities Maintenance and Operations	1,222,919	1,298,810
Security and Monitoring Services	12,648	13,392
Data Processing Services	237,257	227,725
Community Services	4,777	10,577
Debt Service - Interest on Long Term Debt	859,548	827,437
Debt Service - Bond Issuance Costs and Fees	4,038	4,038
Facilities Acquisition and Construction	74,975	-
Payments Related to Shared Services Arrangements	749,944	676,510
Other Intergovernmental Charges	180,791	163,472
Total Expenses	<u>15,334,928</u>	<u>14,682,164</u>
Increase in Net Position	657,952	(198,260)
Beginning Net Position, as restated	<u>11,425,266</u>	<u>11,623,526</u>
Ending Net Position	<u>\$ 12,083,218</u>	<u>\$ 11,425,266</u>

A significant portion, 58% of the District's revenues comes from grants, 38% comes from property taxes, while 4% percent is obtained from other sources of revenue; see table below.



GOVERNMENTAL FUND FINANCIAL STATEMENT ANALYSIS

- Of the total \$849,914 increase in the District's equity base, an increase of \$727,793 is attributable to the General Fund, an increase of \$121,929 is attributable to the Debt Service Fund, and \$192 is attributable to the nonmajor governmental funds.
- In the General Fund, revenues exceeded expenditures by \$832,036, before other financing sources and uses, net.
- The District's 2013-2014 General Fund revenues increased \$620,554 from the prior year. Local revenues increased \$249,263, state allocations increased \$369,166, and federal revenues increased \$2,125.
- The District's 2013-2014 General Fund expenditures increased \$62,892. The slight increase was due primarily to facilities acquisition and construction.

GOVERNMENTAL FUNDS BUDGETARY ANALYSIS

The District's original budget for the General Fund did not estimate revenues to exceed expenditures and other uses. Over the course of the year, the District amended its budget as needed and projected expenditures and other uses to exceed revenues and other sources by \$146,691.

At fiscal year end, the actual net change in fund balance was an increase of \$849,914. Increases in local revenues due to increased property tax collections, increased state program revenues and federal programs resulted in a significant portion of the increase. As of August 31, 2014, ending fund balance in the General Fund had increased by \$727,793. The District committed \$1,010,000 for construction and \$195,000 for capital expenditures for equipment.

In the Child Nutrition Fund, the District projected revenues plus other resources sufficient to cover food service expenditures. At fiscal year end, actual operations for this fund resulted in an increase to fund balance of \$192 at August 31, 2014.

In the Debt Service Fund, the original and final budget projected revenues to cover debt service expenditures. At August 31, 2014, this fund's revenues exceeded expenditures by \$121,929.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had invested \$40,841,920 in a broad range of capital assets, including land, equipment, and buildings. Accumulated depreciation on these assets was \$16,584,281 at year-end. The net amount of capital assets represents a net decrease of \$941,871 over last year. Asset additions totaled \$113,542 but were offset by an accumulated depreciation increase of \$948,524. The District's capital additions were attributable primarily to vehicle purchases. More detailed information about the District's capital assets is presented in Note 6 to the financial statements.

	Governmental Activities	
	2014	2013
Land	\$ 574,745	\$ 574,745
Buildings and Improvements	37,341,498	37,341,498
Furniture/Equipment/Vehicles	2,925,677	2,919,024
Total	<u>40,841,920</u>	<u>40,835,267</u>
Total Accumulated Depreciation	<u>(16,584,281)</u>	<u>(15,635,757)</u>
Net Capital Assets	<u>\$ 24,257,639</u>	<u>\$ 25,199,510</u>

District's Long-Term Debt

At year-end the District had \$18,271,194 in bonds outstanding and \$16,460 in capital lease obligations outstanding. The District paid bond principal of \$280,034 and capital lease obligations of \$16,460. More detailed information about the District's bonded debt is presented in Note 7 to the financial statements.

	Governmental Activities	
	2014	2013
General Obligation Bonds	\$ 18,271,194	\$ 18,950,290
Capital Leases	16,460	32,920
Total	<u>\$ 18,287,654</u>	<u>\$ 18,983,210</u>

- ❖ The District is not aware of any currently known facts, decisions or conditions that are expected to have a significant effect on the District's financial position or results of operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 Financial Services Office.

GOVERNMENT WIDE FINANCIAL STATEMENTS

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

EXHIBIT A-1

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,276,832
1120 Current Investments	3,693,590
1220 Property Taxes Receivable (Delinquent)	228,487
1230 Allowance for Uncollectible Taxes	(77,257)
1240 Due from Other Governments	589,203
1290 Other Receivables	51,692
1410 Deferred Expenditures	144,185
1490 Other Current Assets	15
Capital Assets:	
1510 Land	574,745
1520 Buildings, Net	22,834,894
1530 Furniture and Equipment, Net	<u>848,000</u>
1000 Total Assets	<u>31,164,386</u>
DEFERRED OUTFLOWS OF RESOURCES	
1700 Deferred Outflows	<u>-</u>
Total Deferred Outflows of Resources	<u>-</u>
LIABILITIES	
2110 Accounts Payable	6,929
2150 Payroll Deductions & Withholdings	529
2160 Accrued Wages Payable	366,502
2200 Accrued Expenses	26,591
2300 Unearned Revenues	392,963
Noncurrent Liabilities	
2501 Due Within One Year	723,491
2502 Due in More Than One Year	17,395,000
2516 Premium & Discount on Issuance of Bonds	<u>169,163</u>
2000 Total Liabilities	<u>19,081,168</u>
DEFERRED INFLOWS OF RESOURCES	
2600 Deferred Inflows	<u>-</u>
Total Deferred Inflows of Resources	<u>-</u>
NET POSITION	
3200 Net Investment in Capital Assets	6,392,055
3820 Restricted for Federal and State Programs	6,531
3850 Restricted for Debt Service	1,126,748
3900 Unrestricted	<u>4,557,884</u>
3000 Total Net Position	<u>\$ 12,083,218</u>

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 7,154,660	\$ 54,757	\$ 1,475,965	\$ (5,623,938)
12 Instructional Resources and Media Services	196,764	-	9,404	(187,360)
13 Curriculum and Staff Development	119,974	-	60,277	(59,697)
21 Instructional Leadership	150,713	-	148,200	(2,513)
23 School Leadership	834,853	-	44,998	(789,855)
31 Guidance, Counseling, and Evaluation Services	528,064	-	362,717	(165,347)
32 Social Work Services	33,503	-	31,971	(1,532)
33 Health Services	106,327	-	6,237	(100,090)
34 Student (Pupil) Transportation	636,452	-	15,917	(620,535)
35 Food Services	831,924	175,436	532,296	(124,192)
36 Extracurricular Activities	892,719	36,962	19,541	(836,216)
41 General Administration	502,078	-	23,146	(478,932)
51 Facilities Maintenance and Operations	1,222,919	7,200	45,897	(1,169,822)
52 Security and Monitoring Services	12,648	-	-	(12,648)
53 Data Processing Services	237,257	-	21,444	(215,813)
61 Community Services	4,777	-	4,007	(770)
72 Debt Service - Interest on Long Term Debt	859,548	-	37,707	(821,841)
73 Debt Service - Bond Issuance Costs and Fees	4,038	-	-	(4,038)
81 Facilities Acquisition and Construction	74,975	-	-	(74,975)
93 Payments Related to Shared Services Arrangements	749,944	168,362	444,157	(137,425)
99 Other Intergovernmental Charges	180,791	-	-	(180,791)
TG Total Governmental Activities	15,334,928	442,717	3,283,881	(11,608,330)
[TP] TOTAL PRIMARY GOVERNMENT	\$ 15,334,928	\$ 442,717	\$ 3,283,881	(11,608,330)

Data Control Codes	General Revenues: Taxes:	
MT	Property Taxes, Levied for General Purposes	4,459,402
DT	Property Taxes, Levied for Debt Service	1,603,961
SF	State Aid - Formula Grants	5,922,423
GC	Grants and Contributions not Restricted	18,229
IE	Investment Earnings	74,689
MI	Miscellaneous Local and Intermediate Revenue	187,578
TR	Total General Revenues	12,266,282
CN	Change in Net Position	657,952
NB	Net Position —Beginning	11,806,485
PA	Misstatement - Prior Period	
	Unearned revenue	(637,422)
	Noncurrent liabilities	(965,947)
	Capital Assets	1,222,150
NE	Net Position —Ending	\$ 12,083,218

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

BRADY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS		
1110 Cash and Cash Equivalents	\$ 1,805,096	\$ 369,919
1120 Investments - Current	2,750,000	750,000
1220 Property Taxes - Delinquent	173,995	54,492
1230 Allowance for Uncollectible Taxes (Credit)	(60,451)	(16,806)
1240 Receivables from Other Governments	409,784	-
1260 Due from Other Funds	-	-
1290 Other Receivables	44,863	6,829
1410 Deferred Expenditures	144,010	-
1490 Other Current Assets	15	-
1000 Total Assets	<u>5,267,312</u>	<u>1,164,434</u>
DEFERRED OUTFLOWS OF RESOURCES		
1700 Deferred Outflows	-	-
1000a Total Assets and Deferred Outflows	<u>\$ 5,267,312</u>	<u>\$ 1,164,434</u>
LIABILITIES		
2110 Accounts Payable	\$ 5,240	\$ -
2150 Payroll Deductions and Withholdings Payable	529	-
2160 Accrued Wages Payable	313,196	-
2170 Due to Other Funds	222	-
2200 Accrued Expenditures	5,857	-
2300 Unearned Revenues	-	-
2000 Total Liabilities	<u>325,044</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
2600 Unavailable Revenue - Property Taxes	113,544	37,686
Total Deferred Inflows of Resources	<u>113,544</u>	<u>37,686</u>
FUND BALANCES		
3430 Nonspendable - prepaid items	144,010	-
3450 Restricted - Federal or State Funds Grant	-	-
3480 Restricted - Debt Service	-	1,126,748
3510 Committed - Construction	1,010,000	-
3530 Committed - Capital Expenditures for Equipment	195,000	-
3600 Unassigned	3,479,714	-
3000 Total Fund Balances	<u>4,828,724</u>	<u>1,126,748</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 5,267,312</u>	<u>\$ 1,164,434</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 101,817	\$ 2,276,832
193,590	3,693,590
-	228,487
-	(77,257)
179,419	589,203
222	222
-	51,692
175	144,185
-	15
475,223	6,906,969
-	-
\$ 475,223	\$ 6,906,969
\$ 1,689	\$ 6,929
-	529
53,306	366,502
-	222
20,734	26,591
392,963	392,963
468,692	793,736
-	151,230
-	151,230
-	144,010
6,531	6,531
-	1,126,748
-	1,010,000
-	195,000
-	3,479,714
6,531	5,962,003
\$ 475,223	\$ 6,906,969

BRADY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT C-1r

Total Fund Balances - Governmental Funds	\$	5,962,003
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$40,835,267 and the accumulated depreciation was \$15,635,757. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the fund financial statements. The long-term debt was comprised of bonds payable of \$18,950,290 and capital lease obligations of \$32,920. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		6,216,300
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays of \$113,542, the current year depreciation expense of \$1,055,413, the bond principal payments of \$280,034, capital lease obligation principal payments of \$16,460, net decrease in accreted interest on capital appreciation bonds of \$389,028, and amortization of bond premium of \$10,034 is to decrease net position.		(246,315)
3 The fund financial statements include a deferred inflow for tax revenue which has not been collected. The government-wide financial statements recognize tax revenue in the period for which it is levied. Therefore, \$151,230 in deferred inflow for tax revenue is recognized in the statement of net position. The adjustment results in an increase to net position.		151,230
19 Net Position of Governmental Activities (See A-1)		\$ 12,083,218

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		10 General Fund	50 Debt Service Fund
REVENUES			
5700	Local and Intermediate Sources	\$ 4,896,848	\$ 1,626,904
5800	State Program Revenues	6,422,626	32,845
5900	Federal Program Revenues	13,939	4,862
5020	Total Revenues	<u>11,333,413</u>	<u>1,664,611</u>
EXPENDITURES			
Current:			
0011	Instruction	5,430,633	-
0012	Instructional Resources and Media Services	156,315	-
0013	Curriculum and Instructional Staff Development	59,697	-
0021	Instructional Leadership	5,806	-
0023	School Leadership	808,796	-
0031	Guidance, Counseling and Evaluation Services	170,751	-
0032	Social Work Services	32	-
0033	Health Services	93,299	-
0034	Student (Pupil) Transportation	480,811	-
0035	Food Services	20,212	-
0036	Extracurricular Activities	739,123	-
0041	General Administration	486,571	-
0051	Facilities Maintenance and Operations	1,245,280	-
0052	Security and Monitoring Services	12,648	-
0053	Data Processing Services	212,620	-
0061	Community Services	770	-
0081	Facilities Acquisition and Construction	74,975	-
Debt Service:			
0071	Principal on Long Term Debt	16,460	280,034
0072	Interest on Long Term Debt	-	1,258,610
0073	Bond Issuance Costs and Fees	-	4,038
Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	305,787	-
0099	Other Intergovernmental Charges	180,791	-
6030	Total Expenditures	<u>10,501,377</u>	<u>1,542,682</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>832,036</u>	<u>121,929</u>
OTHER FINANCING SOURCES (USES)			
7912	Sale of Real and Personal Property	13,626	-
7915	Transfers In	-	-
8911	Transfers Out	(117,869)	-
7080	Total Other Financing Sources (Uses)	<u>(104,243)</u>	<u>-</u>
1200	Net Change in Fund Balances	727,793	121,929
0100	Fund Balance - September 1 (Beginning)	4,100,931	1,004,819
1300	Prior Period Adjustments	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 4,828,724</u>	<u>\$ 1,126,748</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 694,770	\$ 7,218,522
440,718	6,896,189
<u>1,791,389</u>	<u>1,810,190</u>
<u>2,926,877</u>	<u>15,924,901</u>
1,164,020	6,594,653
1,363	157,678
60,277	119,974
144,907	150,713
-	808,796
337,770	508,521
33,471	33,503
-	93,299
284	481,095
768,962	789,174
-	739,123
5,000	491,571
70,246	1,315,526
-	12,648
10,090	222,710
4,007	4,777
-	74,975
-	296,494
-	1,258,610
-	4,038
444,157	749,944
<u>-</u>	<u>180,791</u>
<u>3,044,554</u>	<u>15,088,613</u>
<u>(117,677)</u>	<u>836,288</u>
-	13,626
117,869	117,869
-	(117,869)
<u>117,869</u>	<u>13,626</u>
192	849,914
643,761	5,749,511
(637,422)	(637,422)
<u>\$ 6,531</u>	<u>\$ 5,962,003</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, 2014

EXHIBIT C-2r

Net Change in Fund Balances - Governmental Funds	\$	849,914
1 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is capitalized and depreciated over their estimated useful lives. Total additions for the current year which were removed from fund expenditures amounted to \$113,542. Depreciation expense charged to the statement of activities totaled \$1,055,413.		(941,871)
2 Certain revenues are recorded on the fund financial statements when the revenue is received. In the statement of activities, revenues are recognized when earned regardless of when received. Recognizing deferred tax revenues of \$151,230 and removing the prior year's tax revenue of \$96,877 results in a net increase in net position.		54,353
3 Repayment of bond principal of \$280,034 and capital lease obligation principal of \$16,460 are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not an expense on the statement of activities. This increases net position. Net decrease in accreted interest on capital appreciation bonds of \$389,028 decreases long-term liabilities. Finally, amortization of bond premium of \$10,034 were recorded in the government wide financial statements. The result of all of the above adjustments is an increase to the change in net position.		695,556
Change in Net Position of Governmental Activities (See B-1)	\$	<u><u>657,952</u></u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENT

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

EXHIBIT E-1

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ <u>68,204</u>
Total Assets	\$ <u><u>68,204</u></u>
LIABILITIES	
Due to Student Groups	\$ <u>68,204</u>
Total Liabilities	\$ <u><u>68,204</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1: REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the Brady Independent School District (the District). The Board of Trustees is elected by the public. The trustees as a body corporate have 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 (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The financial statements of the District include all activities for which the Board exercises these governance responsibilities.

The District receives funding from local, state and federal government sources and complies with the requirements of these funding source entities.

Note 2: GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as well as the fiduciary fund financial statement. However, agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and penalties and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION - continued

The government reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund*, a governmental fund type, accounts for financial resources that are restricted, committed or assigned for principal and interest on long-term debt of governmental activities.

Additionally, the government reports the following fund types:

The *Special Revenue Funds*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

Agency Funds, a fiduciary fund type, account for resources held for others in a custodial capacity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

Note 4: ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY

Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 4: ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY – continued

In the government wide financial statements, property, plant and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & improvements	20 - 50
Furniture & equipment	2 - 15

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA’s Financial Accounting Resources module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – continued

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund and the Child Nutrition Special Revenue Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District’s fiscal year.

Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year’s budget. There were no outstanding encumbrances at August 31, 2014.

Note 6: DETAILED NOTES ON ALL FUNDS

Deposits

Under Texas state law, 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 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.

The District’s investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District’s management believes that it complied with the requirements of the PFIA and the District’s investment policies.

Custodial credit risk - deposits. The District carries certain bank accounts with financial institutions which are subject to credit risk by the amount such assets exceed federal deposit insurance limits and pledged securities held by the financial institution in the District's name. The District’s cash deposits at August 31, 2014, were entirely covered by FDIC insurance and pledged collateral held by the District’s agent bank, Brady National Bank of Brady, TX, in the District’s name.

Investments

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities; 4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent; 5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; and 6) fully collateralized repurchase agreements; 7) commercial paper that has a stated maturity of 270 days or fewer from the date of issuance and is rated not less than A1-1 or P-1 or an equivalent rating by at least two nationally recognized credit agencies; and 8) public funds investment pools.

The District’s investments at August 31, 2014, are shown below:

	Fair Value	Maturity		
		Less Than 1 Year	1 - 5	More Than 5 Years
<u>Investments:</u>				
Certificates of deposit	\$ 3,693,590	\$ 3,693,590	\$ -	\$ -
Total	\$ 3,693,590	\$ 3,693,590	\$ -	\$ -

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 180 days. The maximum allowable stated maturity of any individual investment owned by the District shall not exceed three years from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS – continued

Credit risk. State law and District policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of August 31, 2014, the District held no investments in public funds investment pools.

Property Tax

In the fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions) on January 1, 2013, upon which the levy for the August 31, 2014, fiscal year was based, was \$444,843,457. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to penalty and interest charges plus 15% delinquent collection fees for attorney costs.

Current tax collections for the year ended August 31, 2014, were 98.6% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General Fund and Debt Service Fund are based on historical experience in collecting 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. As of August 31, 2014, property taxes receivable, net of estimated uncollectible taxes, totaled \$113,544 and \$37,686 for the General and Debt Service Funds, respectively.

The tax rates assessed for the year ended August 31, 2014, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.3628 per \$100 valuation, respectively, for a total of \$1.4028 per \$100 valuation.

Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2014, are summarized below.

Fund	Local Governments	State Grants/ Entitlements	Federal Grants	Total
General Fund	\$ 1,288	\$ 408,496	\$ -	\$ 409,784
Nonmajor Special Revenue Funds	-	55,811	123,608	179,419
	<u>\$ 1,288</u>	<u>\$ 464,307</u>	<u>\$ 123,608</u>	<u>\$ 589,203</u>

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS – continued

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of August 31, 2014 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund		
Nonmajor Special Revenue Funds	\$ -	\$ 222
Nonmajor Special Revenue Funds		
General Fund	222	-
Totals	<u>\$ 222</u>	<u>\$ 222</u>

The purpose of the above interfund balance was to transfer expenditures from the special revenue fund to the general fund.

The composition of interfund transfers for the year ended August 31, 2014 is as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
Nonmajor Special Revenue Funds	\$ 117,869	\$ -
General Fund	-	117,869
	<u>\$ 117,869</u>	<u>\$ 117,869</u>

The purpose of the above transfer was to provide funds from the general fund to the child nutrition fund to subsidize the program.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 6: DETAILED NOTES ON ALL FUNDS – continued

Capital Assets

Capital asset activity for the year ended August 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 574,745	\$ -	\$ -	\$ 574,745
Total capital assets, not being depreciated	<u>574,745</u>	<u>-</u>	<u>-</u>	<u>574,745</u>
Capital assets, being depreciated				
Buildings and improvements	37,341,498	-	-	37,341,498
Furniture and equipment	1,024,734	7,460	-	1,032,194
Vehicles	<u>1,894,290</u>	<u>106,082</u>	<u>106,889</u>	<u>1,893,483</u>
Total capital assets being depreciated	<u>40,260,522</u>	<u>113,542</u>	<u>106,889</u>	<u>40,267,175</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,718,825)	(787,779)	-	(14,506,604)
Furniture and equipment	(553,213)	(111,868)	-	(665,081)
Vehicles	<u>(1,363,719)</u>	<u>(155,766)</u>	<u>106,889</u>	<u>(1,412,596)</u>
Total accumulated depreciation	<u>(15,635,757)</u>	<u>(1,055,413)</u>	<u>106,889</u>	<u>(16,584,281)</u>
Total capital assets being depreciated, net	<u>24,624,765</u>	<u>(941,871)</u>	<u>-</u>	<u>23,682,894</u>
Governmental activities capital assets, net	<u>\$ 25,199,510</u>	<u>\$ (941,871)</u>	<u>\$ -</u>	<u>\$ 24,257,639</u>

Depreciation expense was charged to the District's functions as follows:

Instruction	\$ 560,008
Instructional resources and media services	39,085
School leadership	26,057
Guidance, counseling and evaluation services	19,543
Health services	13,028
Student (pupil) transportation	155,357
Food service	42,750
Cocurricular/extracurricular activities	153,596
General administration	10,507
Data processing services	20,935
Facilities acquisition and construction	<u>14,547</u>
Total depreciation expense - governmental activities	<u>\$ 1,055,413</u>

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7: LONG-TERM OBLIGATIONS

Bonds Payable

On March 11, 1999, the District issued \$5,549,996 in Unlimited Tax Refunding Bonds, Series 1999. Proceeds from the sale of the bonds were used to refund a portion of the Unlimited Tax School Building and Refunding Bonds, Series 1997, and to pay costs associated with the issuance of the bonds. The 1999 bonds were issued at a premium of \$407,303. The 1999 bonds issued consisted of current interest bonds of \$5,495,000 with rates ranging from 5.3% - 5.6% paid through 2022 and capital appreciation bonds of \$54,996, paid through 2015. The District intends to retire all of its general obligation bonds, plus interest, from future ad valorem tax levies. The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. The current interest bonds were subsequently refunded by the 2008 series described below.

On December 29, 2005, the District issued \$2,385,000 in Unlimited Tax Refunding Bonds, Series 2005. Proceeds from the sale of the bonds were used to refund a portion of the Unlimited Tax School Building and Refunding Bonds, Series 1997, and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$17,868. The bonds issued consisted of current interest bonds of \$2,070,000 with a rate of 3.87% paid through 2022 and capital appreciation bonds of \$315,000, paid in 2007. The District intends to retire all of its general obligation bonds, plus interest, from future ad valorem tax levies. The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

On July 17, 2007, the District issued \$14,500,000 in Unlimited Tax School Building Bonds, Series 2007. Proceeds from the sale of the bonds were used for construction and equipment of school buildings in the District, including construction of a new high school, and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$183,725. The bonds issued consisted of current interest bonds of \$2,070,000 with rates ranging from 4.0% - 4.25% paid through 2037. The District intends to retire all of its general obligation bonds, plus interest, from future ad valorem tax levies. The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

On January 23, 2008, the District issued \$5,040,000 in Unlimited Tax Refunding Bonds, Series 2008. Proceeds from the sale of the bonds were used to refund the Unlimited Tax School Building and Refunding Bonds, Series 1999, and to pay costs associated with the issuance of the bonds. The bonds were issued at a premium of \$46,707. The bonds issued consisted of current interest bonds of \$5,010,000 with a rate of 5.3%, paid through 2022 and capital appreciation bonds of \$30,000, retired in 2009. The District intends to retire all of its general obligation bonds, plus interest, from future ad valorem tax levies. The District designates a portion of its tax rate for debt service in order to comply with the ordinance to create from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7: LONG-TERM OBLIGATIONS – continued

At August 31, 2014, the District had \$1,119,919 in cash and investments held for the purpose of future debt maturity. In the fund financial statements, current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in noncurrent liabilities for the year ended August 31, 2014 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Unlimited Tax Refunding Bonds, Series 1999 Capital Appreciation Bonds	\$ 54,995	\$ -	\$ (30,034)	\$ 24,961	\$ 24,961
Unlimited Tax Refunding Bonds, Series 2005 Current Interest Bonds	475,000	-	(45,000)	430,000	45,000
Unlimited Tax School Building Bonds, Series 2007 Current Interest Bonds	13,535,000	-	(195,000)	13,340,000	205,000
Unlimited Tax Refunding Bonds, Series 2008 Current Interest Bonds	3,895,000	-	(10,000)	3,885,000	10,000
Bonds payable - subtotal	<u>17,959,995</u>	<u>-</u>	<u>(280,034)</u>	<u>17,679,961</u>	<u>284,961</u>
Accretion on CAB, Series 1999	811,098	55,938	(444,966)	422,070	422,070
Unamortized Premium on Bonds, Series 2005	8,934	-	(993)	7,941	-
Unamortized Premium on Bonds, Series 2007	142,239	-	(5,927)	136,312	-
Unamortized Premium on Bonds, Series 2008	28,024	-	(3,114)	24,910	-
Subtotal	<u>990,295</u>	<u>55,938</u>	<u>(455,000)</u>	<u>591,233</u>	<u>422,070</u>
Net bonds payable	<u>18,950,290</u>	<u>55,938</u>	<u>(735,034)</u>	<u>18,271,194</u>	<u>707,031</u>
Capital leases payable	32,920	-	(16,460)	16,460	16,460
Total noncurrent liabilities	<u>\$ 18,983,210</u>	<u>\$ 55,938</u>	<u>\$ (751,494)</u>	<u>\$ 18,287,654</u>	<u>\$ 723,491</u>

Debt service requirements are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2015	\$ 284,961	\$ 1,253,301	\$ 1,538,262
2016	750,000	783,798	1,533,798
2017	775,000	755,324	1,530,324
2018	805,000	725,931	1,530,931
2019	835,000	695,311	1,530,311
2020-2024	3,765,000	3,013,324	6,778,324
2025-2029	3,265,000	2,306,000	5,571,000
2030-2034	4,165,000	1,403,750	5,568,750
2035-2039	3,035,000	308,250	3,343,250
	<u>\$ 17,679,961</u>	<u>\$ 11,244,989</u>	<u>\$ 28,924,950</u>

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 7: LONG-TERM OBLIGATIONS – continued

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, 2014, 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:

Bond Issue	Amount
Unlimited Tax School Building and Ref Series 1999	\$ 3,935,000
	\$ 3,935,000

Capital Leases Payable

A summary of changes in capital leases payable for the year ended August 31, 2014 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Capital lease payable	\$ 32,920	\$ -	\$ 16,460	\$ 16,460	\$ 16,460
	\$ 32,920	\$ -	\$ 16,460	\$ 16,460	\$ 16,460

The District leases band equipment under capital lease. The following is an analysis of the leased assets included in capital assets at August 31, 2014:

	2014
Equipment	\$ 41,990
Less accumulated depreciation	(27,993)
Net Value	\$ 13,997

The following is a schedule of future minimum payments required under the lease with its present value as of August 31, 2014:

Year ending					
	2015	\$	18,923		
Total minimum lease payments			18,923		
Less amount representing interest			(2,463)		
Present value of minimum lease payments		\$	16,460		

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 8: PENSION PLAN OBLIGATIONS

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.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (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 during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of the 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.

Contribution rates and contributions for fiscal years 2012 to 2014 are shown in the table below. The rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts

Year	Member		State		Exceeds Statutory Minimum Amount
	Rate	Amount	Rate	Amount	
2014	6.4%	\$ 464,814	6.800%	\$ 493,865	\$ 38,670
2013	6.4%	443,061	6.400%	443,061	130,431
2012	6.4%	449,243	6.000%	421,165	121,396

Note 9: POSTEMPLOYMENT HEALTH BENEFITS

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 by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. 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. 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 website at 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 Communications Department of TRS at 1000 Red River Street, Austin, Texas 78701.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 9: POSTEMPLOYMENT HEALTH BENEFITS – continued

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. Contribution rates and amounts are shown on the following table for fiscal years 2012 to 2014.

Year	Contribution Rates					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 47,208	1.0%	\$ 72,627	0.55%	\$ 39,945
2013	0.65%	44,999	0.5%	34,615	0.55%	38,076
2012	0.65%	45,268	1.0%	70,194	0.55%	38,606

Medicare Part D – 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 TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District. For the years ended August 31, 2014, 2013, and 2012, Medicare Part D on-behalf payments of \$19,267, \$18,202, and \$19,687, respectively, were recognized in the General Fund as revenues and expenditures.

Note 10: FUND BALANCE

The District classifies governmental fund balance in accordance with Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District had nonspendable fund balance for prepaid items of \$144,010 at August 31, 2014.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance restricted for the retirement of funded indebtedness totaled \$1,126,748 as of August 31, 2014. As of August 31, 2014, \$6,531 was restricted for food service.

Committed fund balance is established and modified by a resolution from the District’s Board, the District’s highest level of decision-making authority and can be used only for the specific purposes determined the Board’s resolution. At August 31, 2014, the District had \$1,010,000 committed for facilities and \$195,000 committed for equipment.

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent. The District had no assigned fund balance at August 31, 2014.

Unassigned fund balance is the residual classification for the District’s general fund and includes all spendable amounts not contained in the other classifications.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District shall strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is three months’ operating expenditures and the unreserved, undesignated, unassigned fund balance is three months’ operating expenditures of the total operating expenditures.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 11: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, 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.

Unemployment Compensation – Self Funded

During the year ended August 31, 2014, the District met its statutory unemployment compensation obligations by participating as a self-funded member of the TASB Risk Management Fund (the Fund.) The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, the District is solely responsible for all claim costs, both reported and unreported.

The Fund provides administrative services to its self-funded members including claims administration and customer service.

Property Program

During the year ended August 31, 2014, the District participated in the Fund's Property Program with coverage in: crime, equipment breakdown and property. The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2014, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

Liability Program

During the year ended August 31, 2014, the District participated in the Fund's Liability Program with coverage in general liability, manuscript special, sexual misconduct endorsement, and school professional legal liability. The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Liability Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2014, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 12: WORKERS' COMPENSATION COVERAGE

The District participates in a modified self-funded workers' compensation insurance pool with other districts which are located in the state of Texas. The District's contributions to the pool are based on the loss experience of the District and other districts in the pool. Worker's Compensation Solutions (WCS) is the third party administrator of the pool. The District's fixed cost is \$25,004 and maximum aggregate loss is \$36,402.

Note 13: CONTINGENCIES

The District is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

The District participates in numerous state and federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2014 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.

Note 14: UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

Unearned revenue in the governmental funds balance sheet at August 31, 2014 consisted of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Special Education SSA revenues	\$ -	\$ -	\$ 392,963	\$ 392,963
Total	\$ -	\$ -	\$ 392,963	\$ 392,963

Deferred inflows of resources in the governmental funds balance sheet at August 31, 2014 consisted of the following:

	General Fund	Debt Service Fund	Total
Unavailable revenue - property taxes	\$ 113,544	\$ 37,686	\$ 151,230
	\$ 113,544	\$ 37,686	\$ 151,230

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 15: REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2014, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Property Taxes	\$ 4,419,723	\$ 1,589,287	\$ -	\$ 6,009,010
Food Service Sales	-	-	175,436	175,436
Investment Income	54,102	14,820	5,767	74,689
Penalties, Interest, and Other				
Tax Related Income	77,169	22,797	-	99,966
Co-curricular Student Activities	36,962	-	-	36,962
Revenue from Member Districts	168,362	-	485,124	653,486
Tuition and Fees	6,495	-	-	6,495
Gifts and Bequests	37,236	-	-	37,236
Other	96,799	-	28,443	125,242
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 4,896,848	\$ 1,626,904	\$ 694,770	\$ 7,218,522
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note 16: VACATION AND SICK LEAVE

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

Note 17: SHARED SERVICES ARRANGEMENT

The District is the fiscal agent for a Shared Services Arrangement (SSA) which provides services 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 a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Brady ISD	\$ 290,071
Lohn ISD	29,769
Rochelle ISD	58,833
Cherokee ISD	28,754
San Saba ISD	106,024
Richland Springs ISD	23,345
Special Services to Other Coops	29,757
Total	\$ <u>566,553</u>

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 18: PRIOR PERIOD ADJUSTMENTS

It was discovered that the District had excluded the capital appreciation bond portion of the Unlimited Tax Refunding Bonds, Series 1999 in its Statement of Net Position. The bonds should have been recorded as a noncurrent liability in the Statement of Net Position, including principal of \$54,995 and accreted interest of \$811,098. Additionally, unamortized premium on bonds were understated by \$99,854. This resulted in an understatement of noncurrent liabilities and an overstatement of net position of \$965,947.

Additionally, the District had not recorded certain assets and disposal of assets. Asset additions of \$3,705,261 and disposals of \$986,853 were not properly reported in the Statement of Net Position. Accordingly, accumulated depreciation was also understated by \$1,496,258. The net effect on the Statement of Net Position to record capital assets and net position was an increase of \$1,222,150.

Additionally, the District had carried fund balance in fund 437 which is a Shared Service Arrangement under Model 3 of the Texas Education Agency Financial Accountability System Resource Guide. Under Model 3 fund balance is not allowed to be carried at year end. Accordingly, the fund balance at August 31, 2013 of \$637,422 resulted in an overstatement of fund balance and understatement of current liabilities of \$637,422.

The following table illustrates the effect of the prior period adjustments on net position of governmental activities and governmental fund balance at August 31, 2013:

	Effect to Net Position Fund Balance at August 31, 2013
Net Position of Governmental Activities:	
2005 capital appreciation bonds not recorded in prior years and error in calculation of unamortized premium on bonds payable	\$ (965,947)
Capital asset activity not recorded in prior years	1,222,150
Overstatement of net position in the Shared Services Arrangement	(637,422)
	\$ (381,219)
Governmental Fund Balance:	
Overstatement of fund balance in the Shared Services Arrangement	\$ (637,422)
	\$ (637,422)

Note 19: UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement 27. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement will require the District to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the TRS plan. This Statement requires the use of the entry age normal actuarial method to be used with each period's service cost determined as a level percentage of pay and requires certain other changes to compute the pension liability and expense. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The provisions of this Statement are effective for periods beginning after June 15, 2014.

The District will fully analyze the impact of this new statement prior to the effective date for the statement listed above.

REQUIRED SUPPLEMENTARY INFORMATION

BRADY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP) Basis	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 4,600,824	\$ 4,684,998	\$ 4,896,848	\$ 211,850
5800	State Program Revenues	6,168,472	6,249,659	6,422,626	172,967
5900	Federal Program Revenues	11,814	11,814	13,939	2,125
5020	Total Revenues	<u>10,781,110</u>	<u>10,946,471</u>	<u>11,333,413</u>	<u>386,942</u>
EXPENDITURES:					
Current:					
0011	Instruction	5,532,080	5,528,346	5,430,633	97,713
0012	Instructional Resources and Media Services	146,058	162,030	156,315	5,715
0013	Curriculum and Instructional Staff Development	59,546	64,580	59,697	4,883
0021	Instructional Leadership	3,103	7,925	5,806	2,119
0023	School Leadership	802,247	811,368	808,796	2,572
0031	Guidance, Counseling and Evaluation Services	147,360	174,507	170,751	3,756
0032	Social Work Services	450	450	32	418
0033	Health Services	93,800	97,037	93,299	3,738
0034	Student (Pupil) Transportation	566,281	569,111	480,811	88,300
0035	Food Services	18,089	22,666	20,212	2,454
0036	Extracurricular Activities	696,948	773,404	739,123	34,281
0041	General Administration	496,797	500,561	486,571	13,990
0051	Facilities Maintenance and Operations	1,371,458	1,380,928	1,245,280	135,648
0052	Security and Monitoring Services	15,510	15,510	12,648	2,862
0053	Data Processing Services	239,853	242,709	212,620	30,089
0061	Community Services	2,400	2,400	770	1,630
0081	Facilities Acquisition and Construction	-	85,000	74,975	10,025
Debt Service:					
0071	Principal on Long Term Debt	16,461	17,461	16,460	1,001
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	304,287	306,787	305,787	1,000
0099	Other Intergovernmental Charges	189,330	189,330	180,791	8,539
6030	Total Expenditures	<u>10,702,058</u>	<u>10,952,110</u>	<u>10,501,377</u>	<u>450,733</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>79,052</u>	<u>(5,639)</u>	<u>832,036</u>	<u>837,675</u>
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	2,000	2,000	13,626	11,626
7956	Insurance Recovery	2,000	2,000	-	(2,000)
8911	Transfers Out	(83,052)	(145,052)	(117,869)	27,183
	Total Other Financing Sources (Uses)	<u>(79,052)</u>	<u>(141,052)</u>	<u>(104,243)</u>	<u>36,809</u>
1200	Net Change in Fund Balances	-	(146,691)	727,793	874,484
0100	Fund Balance - September 1 (Beginning)	<u>4,100,931</u>	<u>4,100,931</u>	<u>4,100,931</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 4,100,931</u>	<u>\$ 3,954,240</u>	<u>\$ 4,828,724</u>	<u>\$ 874,484</u>

OTHER SUPPLEMENTARY INFORMATION

BRADY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

	205	211	240	255
	Head Start	ESEA Title I Part A	National School Lunch & Breakfast	Title II, Part A Teacher and Principal Training
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ (38,223)	\$ 2,931	\$ (7,076)
1120 Investments - Current	-	-	-	-
1240 Receivables from Other Governments	6,173	56,002	12,000	11,424
1260 Due from Other Funds	-	-	-	-
1410 Deferred Expenditures	-	-	-	-
1000 Total Assets	<u>6,173</u>	<u>17,779</u>	<u>14,931</u>	<u>4,348</u>
DEFERRED OUTFLOWS OF RESOURCES				
1700 Deferred Outflows	-	-	-	-
1000a Total Assets and Deferred Outflows	<u>\$ 6,173</u>	<u>\$ 17,779</u>	<u>\$ 14,931</u>	<u>\$ 4,348</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ 1,689	\$ -
2160 Accrued Wages Payable	5,629	-	6,592	3,960
2200 Accrued Expenditures	544	17,779	119	388
2300 Unearned Revenues	-	-	-	-
2000 Total Liabilities	<u>6,173</u>	<u>17,779</u>	<u>8,400</u>	<u>4,348</u>
DEFERRED INFLOWS OF RESOURCES				
2600 Unavailable Revenues - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
3450 Restricted - Federal or State Funds Grants	-	-	6,531	-
3600 Unassigned	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>6,531</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 6,173</u>	<u>\$ 17,779</u>	<u>\$ 14,931</u>	<u>\$ 4,348</u>

313	314	392	410	437	Total Nonmajor Governmental Funds
SSA IDEA - Part B Formula	SSA IDEA - Part B Preschool	Non-Educational Community-Based Support	State Textbook Fund	SSA Special Education	
\$ (18,975)	\$ (130)	\$ (340)	\$ (55,693)	219,323	\$ 101,817
-	-	-	-	193,590	193,590
35,079	1,003	340	55,471	1,927	179,419
-	-	-	222	-	222
-	-	-	-	175	175
<u>16,104</u>	<u>873</u>	<u>-</u>	<u>-</u>	<u>415,015</u>	<u>475,223</u>
-	-	-	-	-	-
<u>\$ 16,104</u>	<u>\$ 873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,015</u>	<u>\$ 475,223</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,689
14,684	796	-	-	21,645	53,306
1,420	77	-	-	407	20,734
-	-	-	-	392,963	392,963
<u>16,104</u>	<u>873</u>	<u>-</u>	<u>-</u>	<u>415,015</u>	<u>468,692</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	6,531
-	-	-	-	-	-
-	-	-	-	-	6,531
<u>\$ 16,104</u>	<u>\$ 873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,015</u>	<u>\$ 475,223</u>

BRADY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

	205	211	240
	Head Start	ESEA Title I Part A	National School Lunch & Breakfast
REVENUES:			
5700 Local and Intermediate Sources	\$ -	\$ -	\$ 176,616
5800 State Program Revenues	-	-	3,601
5900 Federal Program Revenues	<u>6,173</u>	<u>448,794</u>	<u>508,730</u>
5020 Total Revenues	<u>6,173</u>	<u>448,794</u>	<u>688,947</u>
EXPENDITURES:			
Current:			
0011 Instruction	6,173	363,924	-
0012 Instructional Resources and Media	-	-	-
0013 Curriculum and Instructional Staff Development	-	43,615	-
0021 Instructional Leadership	-	2,701	-
0031 Guidance, Counseling, and Evaluation Services	-	3,541	-
0032 Social Work Services	-	31,971	-
0034 Student (Pupil) Transportation	-	-	284
0035 Food Services	-	-	768,962
0041 General Administration	-	-	-
0051 Plant Maintenance and Operations	-	-	37,378
0053 Data Processing Services	-	-	-
0061 Community Services	-	3,042	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	<u>-</u>	<u>-</u>	<u>-</u>
6030 Total Expenditures	<u>6,173</u>	<u>448,794</u>	<u>806,624</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(117,677)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	<u>-</u>	<u>-</u>	<u>117,869</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>117,869</u>
1200 Net Change in Fund Balances	-	-	192
0100 Fund Balance - September (Beginning)	-	-	6,339
1300 Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,531</u>

255 Title II, Part A Teacher and Principal Training	313 SSA IDEA - Part B Formula	314 SSA IDEA - Part B Preschool	392 Non-educational Community-Based Support	410 State Textbook Fund	437 SSA Special Education	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518,154	\$ 694,770
-	-	-	1,500	132,330	303,287	440,718
<u>95,736</u>	<u>537,976</u>	<u>26,783</u>	<u>-</u>	<u>-</u>	<u>167,197</u>	<u>1,791,389</u>
<u>95,736</u>	<u>537,976</u>	<u>26,783</u>	<u>1,500</u>	<u>132,330</u>	<u>988,638</u>	<u>2,926,877</u>
80,259	339,823	11,170	-	130,967	231,704	1,164,020
-	-	-	-	1,363	-	1,363
15,477	1,185	-	-	-	-	60,277
-	-	-	-	-	142,206	144,907
-	78,003	15,613	-	-	240,613	337,770
-	-	-	1,500	-	-	33,471
-	-	-	-	-	-	284
-	-	-	-	-	-	768,962
-	-	-	-	-	5,000	5,000
-	-	-	-	-	32,868	70,246
-	-	-	-	-	10,090	10,090
-	965	-	-	-	-	4,007
-	118,000	-	-	-	326,157	444,157
<u>95,736</u>	<u>537,976</u>	<u>26,783</u>	<u>1,500</u>	<u>132,330</u>	<u>988,638</u>	<u>3,044,554</u>
-	-	-	-	-	-	(117,677)
-	-	-	-	-	-	117,869
-	-	-	-	-	-	117,869
-	-	-	-	-	-	192
-	-	-	-	-	637,422	643,761
-	-	-	-	-	(637,422)	(637,422)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,531</u>

REQUIRED TEA SCHEDULES

BRADY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED AUGUST 31, 2014

Last Ten Years Ended August 31	1	2	3
	Tax Rates		Assessed/ Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	Various
2006	1.500000	0.157000	\$ 259,101,260
2007	1.350000	0.157000	243,357,817
2008	1.040000	0.465200	269,421,910
2009	1.040000	0.465200	298,114,920
2010	1.040000	0.327500	324,555,400
2011	1.040000	0.327500	363,644,370
2012	1.040000	0.327500	376,576,660
2013	1.040000	0.365000	419,043,213
2014 (School year under audit)	1.040000	0.362800	444,843,457
1000 TOTALS			

10	20	31	32	40	50
Beginning Balance September 1, 2013	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2014
\$ 40,767	\$	\$ 1,707	\$ 287	\$ (6,401)	\$ 32,372
6,734		323	34	(413)	5,964
5,438		517	59	(379)	4,483
9,128		1,040	465	(193)	7,430
14,894		1,820	814	(1,913)	10,347
15,034		3,351	1,095	(1,139)	9,449
31,386		10,311	3,291	(954)	16,830
43,452		16,988	5,535	(606)	20,323
109,940		50,473	18,625	(1,762)	39,080
<u>-</u>	<u>6,061,634</u>	<u>4,340,418</u>	<u>1,558,855</u>	<u>(80,152)</u>	<u>82,209</u>
\$ <u>276,773</u>	\$ <u>6,061,634</u>	\$ <u>4,426,948</u>	\$ <u>1,589,060</u>	\$ <u>(93,912)</u>	\$ <u>228,487</u>

BRADY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION FUND
 FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT J-4

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	\$ 177,600	\$ 181,200	\$ 176,616	\$ (4,584)
5800	State program revenues	3,600	3,600	3,601	1
5900	Federal program revenues	493,488	498,789	508,730	9,941
5020	Total revenues	674,688	683,589	688,947	5,358
EXPENDITURES:					
Current:					
0034	Student (Pupil) Transportation	-	284	284	-
0035	Food Services	711,890	778,906	768,962	9,944
0051	Plant Maintenance and Operations	45,850	45,850	37,378	8,472
6030	Total expenditures	757,740	825,040	806,624	18,416
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(83,052)	(141,451)	(117,677)	23,774
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	83,052	145,052	117,869	(27,183)
7080	Total Other Financing Sources (Uses)	83,052	145,052	117,869	(27,183)
1200	Net Change in Fund Balances	-	3,601	192	(3,409)
0100	Fund Balance - September 1 (Beginning)	6,339	6,339	6,339	-
3000	Fund Balance - August 31 (Ending)	\$ 6,339	\$ 9,940	\$ 6,531	\$ (3,409)

BRADY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT J-5

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,539,536	\$ 1,539,536	\$ 1,626,904	\$ 87,368
5800	State Program Revenues	1,608	1,608	32,845	31,237
5900	Federal Program Revenues	3,500	3,500	4,862	1,362
5020	Total Revenues	<u>1,544,644</u>	<u>1,544,644</u>	<u>1,664,611</u>	<u>119,967</u>
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	392,752	392,752	280,034	112,718
0072	Interest on Long Term Debt	1,145,892	1,145,892	1,258,610	(112,718)
0073	Bond Issuance Costs and Fees	6,000	6,000	4,038	1,962
6030	Total Expenditures	<u>1,544,644</u>	<u>1,544,644</u>	<u>1,542,682</u>	<u>1,962</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>121,929</u>	<u>121,929</u>
1200	Net Change in Fund Balances	-	-	121,929	121,929
0100	Fund Balance - September 1 (Beginning)	<u>1,004,819</u>	<u>1,004,819</u>	<u>1,004,819</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,004,819</u>	<u>\$ 1,004,819</u>	<u>\$ 1,126,748</u>	<u>\$ 121,929</u>

FEDERAL AWARDS SECTION

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

To the Board of School Trustees of the
Brady Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brady Independent School District (the District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
December 9, 2014

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

To the Board of School Trustees of the
Brady Independent School District

Report on Compliance for Each Major Federal Program

We have audited Brady Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
December 9, 2014

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified
2. No significant deficiencies required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No significant deficiencies required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified
6. Did the audit disclose findings which are required to be reported under Sec. 510(a): No
7. Major programs include:
 - Special Education Cluster:
 - CFDA 84.027 – IDEA, Part B
 - CFDA 84.173 – IDEA Preschool
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Low risk auditee: Yes

B. Findings Related to the Financial Statements

None

C. Findings and Questioned Costs Related to the Federal Award Programs

None

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED AUGUST 31, 2014

A. Findings Required to be Reported in Accordance with *Government Auditing Standards*

None

B. Findings and Questioned Costs – Major Federal Award Programs Audit

None

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

EXHIBIT K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Project Number	(4) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct Program			
Impact Aid - P.L. 874 Title I	84.041	N/A	\$ 13,939
Passed through Texas Education Agency			
ESEA Title I, Part A - Improving Basic Programs	84.010A	14610101160901	448,794
SSA - IDEA - Part B, Formula*	84.027	146600011609016000	537,976
SSA - IDEA B Preschool*	84.173	146610011609016000	26,783
ESEA Title II, Part A - Teacher and Principal Training	84.367A	14694501160901	<u>95,736</u>
Total Passed Through Texas Education Agency			1,109,289
TOTAL DEPARTMENT OF EDUCATION			<u>1,123,228</u>
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
Passed through ESC Region 15:			
Head Start	93.600	06CH7152/01	<u>6,173</u>
Total Passed Through ESC Region 15			<u>6,173</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>6,173</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Texas Education Agency			
School Breakfast Program*	10.553	71401401	154,412
National School Lunch Program* - cash assistance	10.555	71301401	<u>312,988</u>
Total Passed Through Texas Education Agency			467,400
Passed through the Multi Regional Purchasing Cooperative			
National School Lunch Program* - non cash assistance	10.555	N/A	<u>41,330</u>
Total Passed Through the Multi Regional Purchasing Cooperative			41,330
TOTAL DEPARTMENT OF AGRICULTURE			<u>508,730</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,638,131</u>

*Clustered Programs as required by OMB A-133 Compliance Supplement, March 2014.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1: The District utilizes the fund types specified in the Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note 2: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Government Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund Type.

The modified accrual basis of accounting is used for the Governmental Fund Types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as unearned revenue until earned.

Note 3: The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in OMB Circular A-133 Compliance Supplement, Part 3, Section H. Period of Availability of Federal Funds.

Note 4: Medicaid revenues are considered earned at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards.

Note 5: Reconciliation of Federal Revenues on Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

Federal Awards per Schedule of Expenditures		
of Federal Awards	\$	1,638,131
Medical reimbursements (SHARS)		-
Qualified School Construction Bond interest subsidy		<u>4,862</u>
Total Federal Program Revenues - Exhibit C-2	\$	<u><u>1,642,993</u></u>

Note 6: Of the federal expenditures presented in the schedule, the District provided federal awards to subrecipients as follows:

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

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2014

EXHIBIT L-1

<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	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year-end.	\$ 422,070