

BRADY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2013

Introductory Section

Brady Independent School District
Annual Financial Report
For The Year Ended August 31, 2013

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CERTIFICATE OF BOARD

Brady Independent School District
Name of School District

McCulloch
County

160-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2013, at a meeting of the board of trustees of such school district on the 18th day of November, 2013.



Signature of Board Secretary



Signature of Board President

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

Financial Section

BURL D. LOWERY
Certified Public Accountant
311 Center Avenue
Brownwood, Texas 76801

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brady Independent School District ("the District") as of and for the year ended August 31, 2013, 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

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

An audit 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 District'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 District's internal control. Accordingly, I 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.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brady Independent School District as of August 31, 2013, 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 identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brady Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 18, 2013 on my consideration of Brady Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brady Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

Brownwood,, Texas
October 18, 2013

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, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$11,806,485 at August 31, 2013.
- During the year, the District's expenses were \$439,162, less than the \$15,121,326 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased by \$133,462 and its revenues decreased by \$276,165 during the current year.
- The general fund reported a fund balance this year of \$4,100,931.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$ 11,806,485 at August 31, 2013 and \$11,472,670 at August 31, 2012.

The District has restricted net assets of \$1,011,158 are restricted to future bond payments and state and federal programs, which leaves \$4,835,320 of unrestricted net assets at August 31, 2013. The unreserved funds of \$4,835,320 represents resources available to fund the programs of the District next year.

Changes in net assets. The District's total revenues were \$15,121,326. A significant portion, 38%, of the District's revenue comes from taxes. 43% comes from state available and foundation grants, while only 1.55% relates to charges for services.

The total cost of all programs and services was \$14,682,164; 48.6% of these costs are for instruction and instructional related services. (Expenditure Functions 11 and 12).

Governmental Activities

- Property tax rates increased slightly for debt service in the current year. The taxable values increased which yielded tax revenues of \$5,806,200.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types in the individual funds totaled \$15,0989,681, a decrease of 1.75% over the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$438,245 below final budget amounts of the General Fund.

On the other hand, resources available were \$327,331 more than the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had invested \$38,116,858 in a broad range of capital assets, including land, equipment buildings, and vehicles. This amount represents a net increase of \$435,985 or 1.2% over last year.

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

Long Term Debt

At year-end the District had \$17,905,000 in bonds outstanding and \$32,920 in capital leases outstanding at August 31, 2013. More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2013-2014 budget preparation is expected to increase slightly.
- General operating fund spending decreases in the 2013-2014 budget from \$10,876,730 to \$10,702,058. This is a decrease of 1.6%.
- The District's 2013-2014 refined average daily attendance is expected to be approximately the same as the 2012-2013 refined average daily attendance.

These indicators were taken into account when adopting the general fund budget for 2013-2014. Amounts available for appropriation in the general fund budget are \$10,781,110, an increase of 3.8 percent over the final 2012-2013 budget of \$10,385,528. Property taxes will remain approximately the same as taxable value and tax rates are only changing by minimal amounts. State revenue will increase or decrease as the student population changes in size. The District will use these increases in revenues to finance programs we currently offer.

General fund expenditures are budgeted to decrease nearly 1.6% to \$10,702,058. The District has added no major new programs or initiatives to the 2013-2014 budget.

If these estimates are realized, the District's budgetary general fund balance is not expected to change appreciably by the close of 2013-2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

Net assets. The District's combined net assets were \$11,806,485 at August 31, 2013. (See Table 1)

Table 1
 Brady Independent School District's Net Assets

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents	\$5,866,190	\$5,960,866
Due from other governments	\$157,900	\$107,923
Property taxes receivable net of uncollectible	\$96,876	\$152,194
Inventories	\$0	\$0
Accrued interest	\$0	\$0
Other receivables	\$42,738	\$51,537
Unamortized bond issuance costs	\$0	\$145,514
Deferred expense	<u>\$78,911</u>	<u>\$52,452</u>
Total Current Assets	<u>\$6,242,615</u>	<u>\$6,470,486</u>
Noncurrent Assets:		
Land	\$401,905	\$401,905
Construction in progress	\$0	\$0
Buildings	\$33,809,077	\$33,586,122
Equipment and vehicles	\$3,905,876	\$3,692,846
Less accumulated depreciation	<u>(\$14,139,498)</u>	<u>(\$13,263,912)</u>
Total Noncurrent Assets	<u>\$23,977,360</u>	<u>\$24,416,961</u>
Total Assets	<u>\$30,219,975</u>	<u>\$30,887,447</u>
Current Liabilities:		
Accounts payable and accrued expenses	\$392,502	\$316,991
Claims payable		
Due to other funds		
Unearned revenue	<u>\$3,725</u>	<u>\$399,343</u>
Total Current Liabilities	<u>\$396,227</u>	<u>\$716,334</u>
Long-term Liabilities:		
Bonds Payable	\$17,905,000	\$18,615,000
Unamortized premium on bonds	\$79,343	\$83,443
Capital Leases payable	<u>\$32,920</u>	<u>\$0</u>
Total Long-term Liabilities	<u>\$18,017,263</u>	<u>\$18,698,443</u>
Total Liabilities	<u>\$18,413,490</u>	<u>\$19,414,777</u>
Net Assets:		
Invested in capital assets	\$5,960,097	\$5,718,518
Restricted for debt service	\$1,004,819	\$910,089
Restricted for federal and state programs	\$6,339	\$11,487
Restricted for construction	\$0	\$0
Unrestricted	<u>\$4,835,230</u>	<u>\$4,832,576</u>
Total Net Assets	<u>\$11,806,485</u>	<u>\$11,472,670</u>

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

Table 2
 Brady Independent School District's Changes in Net Assets

	Governmental Activities	
	2013	2012
Program Revenues:		
Charges for services	\$233,945	\$269,206
Operating grants and contributions	\$1,903,362	\$2,272,429
Capital grants and contributions		
General Revenues:		
Property taxes	\$5,806,200	\$5,389,892
State aid - formula	\$6,505,383	\$6,877,093
Investment earnings	\$116,640	\$120,232
Other revenues	\$477,834	\$425,205
'Gain on sale of assets	\$77,962	\$0
Special items inflow	\$0	\$43,434
Special items outflow - abandonment loss	\$0	\$0
Total Revenues	<u>\$15,121,326</u>	<u>\$15,397,491</u>
Expenditures:		
Instruction	\$6,984,513	\$6,917,743
Instructional resources and media services	\$152,449	\$165,009
Curriculum development and staff development	\$144,780	\$122,551
Instructional leadership	\$154,804	\$177,259
School leadership	\$850,009	\$728,782
Guidance and counseling services	\$548,064	\$605,588
Social work services	\$35,903	\$39,502
Health services	\$99,413	\$91,828
Student (pupil) transportation	\$416,042	\$422,455
Food services	\$822,600	\$808,528
Curricular/extracurricular activities	\$732,914	\$697,747
General administration	\$518,712	\$538,214
Plant maintenance & operation	\$1,298,810	\$1,641,907
Security and monitoring services	\$13,392	\$6,859
Data processing services	\$227,725	\$215,183
Community Services	\$10,577	\$41,342
Debt services	\$831,475	\$867,077
Payments to fiscal agent/member districts SSA	\$676,510	\$566,288
Other intergovernmental charges	\$163,472	\$161,764
Total Expenditures	<u>\$14,682,164</u>	<u>\$14,815,626</u>
Excess (Deficiency) Before Other Resources, Uses, and Transfers	\$439,162	\$581,865
Other Resources (Uses)		
Transfers In (Out)	<u>\$0</u>	<u>\$0</u>
Increase (Decrease) in Net Assets	\$439,162	\$581,865
Net Assets - Beginning	\$11,472,670	\$10,890,805
Prior Period Adjustments & Rounding	<u>(\$105,347)</u>	<u>\$0</u>
Net Assets - Ending	<u>\$11,806,485</u>	<u>\$11,472,670</u>

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

Table 3
 Brady Independent School District's Capital Assets

	Governmental Activities	
	2013	2012
Land	\$401,905	\$401,905
Buildings and improvements	\$33,809,077	\$33,586,122
Equipment and vehicles	\$3,905,876	\$3,692,846
Total Capital Assets	\$38,116,858	\$37,680,873
Total Accumulated Depreciation	\$14,139,498	\$13,263,912
Net Capital Assets	\$23,977,360	\$24,416,961

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

	Governmental Activities	
	2013	2012
Bonds payable	\$17,905,000	\$18,615,000
Capital leases payable	\$32,920	\$0
Unamortized bond premium	\$79,343	\$83,443
Total Long-term Debt	\$18,017,263	\$18,698,443

Basic Financial Statements

BRADY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2013

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,885,601
1120	<i>Current Investments</i>	3,980,589
1225	<i>Property Taxes Receivable (Net)</i>	96,876
1240	<i>Due from Other Governments</i>	157,900
1260	<i>Internal Balances</i>	—
1290	<i>Other Receivables (Net)</i>	42,738
1410	<i>Unrealized Expenses</i>	78,896
1490	<i>Other Current Assets</i>	15
Capital Assets:		
1510	<i>Land</i>	401,905
1520	<i>Buildings and Improvements, Net</i>	22,226,420
1530	<i>Furniture and Equipment, Net</i>	1,349,035
1000	Total Assets	<u>30,219,975</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	35,821
2165	<i>Accrued Liabilities</i>	356,681
2300	<i>Unearned Revenue</i>	3,725
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	266,460
2502	<i>Due in More Than One Year</i>	17,750,803
2000	Total Liabilities	<u>18,413,490</u>
NET POSITION		
3200	Net Investment in Capital Assets	5,960,097
Restricted For:		
3820	State and Federal Programs	6,339
3850	Debt Service	1,004,819
3900	Unrestricted	4,835,230
3000	Total Net Position	<u>\$ 11,806,485</u>

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Program Revenues			Governmental Activities
		Expenses	Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	<i>Instruction</i>	\$ 6,984,513	\$ 1,413	\$ 1,019,737	\$ (5,963,363)
12	<i>Instructional Resources and Media Services</i>	152,449	--	--	(152,449)
13	<i>Curriculum and Staff Development</i>	144,780	--	61,272	(83,508)
21	<i>Instructional Leadership</i>	154,804	--	--	(154,804)
23	<i>School Leadership</i>	850,009	--	--	(850,009)
31	<i>Guidance, Counseling, & Evaluation Services</i>	548,064	--	82,620	(465,444)
32	<i>Social Work Services</i>	35,903	--	33,182	(2,721)
33	<i>Health Services</i>	99,413	--	--	(99,413)
34	<i>Student Transportation</i>	416,042	--	--	(416,042)
35	<i>Food Service</i>	822,600	180,920	513,646	(128,034)
36	<i>Cocurricular/Extracurricular Activities</i>	732,914	51,612	--	(681,302)
41	<i>General Administration</i>	518,712	--	--	(518,712)
51	<i>Plant Maintenance and Operations</i>	1,298,810	--	--	(1,298,810)
52	<i>Security and Monitoring Services</i>	13,392	--	--	(13,392)
53	<i>Data Processing Services</i>	227,725	--	--	(227,725)
61	<i>Community Services</i>	10,577	--	8,766	(1,811)
72	<i>Interest on Long-term Debt</i>	827,437	--	66,139	(761,298)
73	<i>Bond Issuance Costs and Fees</i>	4,038	--	--	(4,038)
93	<i>Payments Related to Shared Services Arrangements</i>	676,510	--	118,000	(558,510)
99	<i>Other Intergovernmental Charges</i>	163,472	--	--	(163,472)
TG	Total Governmental Activities	14,682,164	233,945	1,903,362	(12,544,857)
TP	Total Primary Government	\$ 14,682,164	\$ 233,945	\$ 1,903,362	(12,544,857)
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				4,267,218
DT	<i>Property Taxes, Levied for Debt Service</i>				1,538,982
IE	<i>Investment Earnings</i>				116,640
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				6,505,383
MI	<i>Miscellaneous</i>				555,796
	Transfers				--
FR	Total General Revenues and Transfers				12,984,019
CN	Change in Net Position				439,162
NB	Net Position - Beginning				11,472,670
PA	Prior Period Adjustment				(105,347)
	Net Position - Beginning, as Restated				11,367,323
NE	Net Position - Ending				\$ 11,806,485

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2013

Data Control Codes	10	General Fund	Special Education
ASSETS:			
1110	<i>Cash and Cash Equivalents</i>	\$ 1,492,411	\$ 200,782
1120	<i>Current Investments</i>	2,768,215	462,374
1225	<i>Taxes Receivable, Net</i>	73,864	--
1240	<i>Due from Other Governments</i>	48,167	--
1260	<i>Due from Other Funds</i>	--	--
1290	<i>Other Receivables</i>	33,852	--
1410	<i>Unrealized Expenditures</i>	76,121	175
1490	<i>Other Current Assets</i>	15	--
1000	Total Assets	<u>4,492,645</u>	<u>663,331</u>
LIABILITIES:			
Current Liabilities:			
2110	<i>Accounts Payable</i>	\$ 33,868	\$ 857
2150	<i>Payroll Deductions & Withholdings</i>	880	--
2160	<i>Accrued Wages Payable</i>	274,293	24,593
2200	<i>Accrued Expenditures</i>	5,083	459
2300	<i>Unearned Revenue</i>	77,590	--
2000	Total Liabilities	<u>391,714</u>	<u>25,909</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3415	<i>Long-Term Loans/Notes Receivable</i>	--	--
Restricted Fund Balances:			
3450	<i>Federal/State Funds Grant Restrictions</i>	--	--
3490	<i>Other Restrictions of Fund Balance</i>	--	627,274
Committed Fund Balances:			
3510	<i>Construction</i>	740,000	--
3600	<i>Unassigned</i>	3,360,931	10,148
3000	Total Fund Balances	<u>4,100,931</u>	<u>637,422</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,492,645</u>	<u>\$ 663,331</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 245,933	\$ (53,526)	\$ 1,885,600
750,000	--	3,980,589
23,012	--	96,876
--	109,733	157,900
--	--	--
8,886	--	42,738
--	2,600	78,896
--	--	15
<u>1,027,831</u>	<u>58,807</u>	<u>6,242,614</u>
\$ --	\$ 1,095	\$ 35,820
--	--	880
--	47,470	346,356
--	3,903	9,445
23,012	--	100,602
<u>23,012</u>	<u>52,468</u>	<u>493,103</u>
1,004,819	--	1,004,819
--	6,339	6,339
--	--	627,274
--	--	740,000
--	--	3,371,079
<u>1,004,819</u>	<u>6,339</u>	<u>5,749,511</u>
<u>\$ 1,027,831</u>	<u>\$ 58,807</u>	<u>\$ 6,242,614</u>

BRADY INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION*
 AUGUST 31, 2013

Total fund balances - governmental funds balance sheet	\$ 5,749,511
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	23,977,361
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	96,877
Payables for bond principal which are not due in the current period are not reported in the funds.	(17,905,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(32,920)
Bond issuance premiums are amortized in the government-wide financial statements	(79,343)
Rounding difference	(1)
Net position of governmental activities - Statement of Net Position	<u>\$ 11,806,485</u>

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	10	General Fund	Special Education
REVENUES:			
5700	Local and Intermediate Sources	\$ 4,647,585	\$ 285,529
5800	State Program Revenues	6,053,460	300,274
5900	Federal Program Revenues	11,814	135,808
5020	Total Revenues	<u>10,712,859</u>	<u>721,611</u>
EXPENDITURES:			
Current:			
0011	Instruction	5,180,879	265,193
0012	Instructional Resources and Media Services	140,061	--
0013	Curriculum and Staff Development	72,734	--
0021	Instructional Leadership	2,441	140,843
0023	School Leadership	786,756	--
0031	Guidance, Counseling, & Evaluation Services	168,564	256,096
0032	Social Work Services	49	--
0033	Health Services	92,015	--
0034	Student Transportation	469,887	--
0035	Food Service	18,782	--
0036	Cocurricular/Extracurricular Activities	724,080	--
0041	General Administration	475,612	4,500
0051	Plant Maintenance and Operations	1,189,492	20,862
0052	Security and Monitoring Services	12,395	--
0053	Data Processing Services	200,721	10,058
0061	Community Services	1,024	--
0071	Principal on Long-term Debt	16,460	--
0072	Interest on Long-term Debt	--	--
0073	Bond Issuance Costs and Fees	--	--
0081	Capital Outlay	420,287	--
0093	Payments to Shared Service Arrangements	302,774	255,736
0099	Other Intergovernmental Charges	163,472	--
6030	Total Expenditures	<u>10,438,485</u>	<u>953,288</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>274,374</u>	<u>(231,677)</u>
Other Financing Sources and (Uses):			
7912	Sale of Real or Personal Property	166,841	--
7913	Issuance of Capital Leases	49,380	--
7915	Transfers In	--	644,007
8911	Transfers Out	(95,600)	--
7080	Total Other Financing Sources and (Uses)	<u>120,621</u>	<u>644,007</u>
1200	Net Change in Fund Balances	394,995	412,330
0100	Fund Balances - Beginning	3,665,769	225,092
1300	Prior Period Adjustment	40,167	--
	Fund Balances - Beginning, as Restated	3,705,936	225,092
3000	Fund Balances - Ending	<u>\$ 4,100,931</u>	<u>\$ 637,422</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 1,570,139	\$ 186,683	\$ 6,689,936
66,139	72,130	6,492,003
4,027	1,765,093	1,916,742
<u>1,640,305</u>	<u>2,023,906</u>	<u>15,098,681</u>
--	1,018,693	6,464,765
--	1,044	141,105
--	61,272	134,006
--	--	143,284
--	--	786,756
--	82,620	507,280
--	33,182	33,231
--	--	92,015
--	295	470,182
--	756,118	774,900
--	--	724,080
--	--	480,112
--	44,664	1,255,018
--	--	12,395
--	--	210,779
--	8,766	9,790
710,000	--	726,460
831,537	--	831,537
4,038	--	4,038
--	--	420,287
--	118,000	676,510
--	--	163,472
<u>1,545,575</u>	<u>2,124,654</u>	<u>15,062,002</u>
<u>94,730</u>	<u>(100,748)</u>	<u>36,679</u>
--	--	166,841
--	--	49,380
--	95,600	739,607
--	(644,007)	(739,607)
--	(548,407)	216,221
<u>94,730</u>	<u>(649,155)</u>	<u>252,900</u>
910,089	655,494	5,456,444
--	--	40,167
910,089	655,494	5,496,611
<u>\$ 1,004,819</u>	<u>\$ 6,339</u>	<u>\$ 5,749,511</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, 2013

Net change in fund balances - total governmental funds	\$ 252,900
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	633,317
The depreciation of capital assets used in governmental activities is not reported in the funds.	(984,039)
The basis of assets sold is not reported in the individual funds.	(88,878)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(55,318)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	710,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	16,460
Bond premiums are reported in the funds but not in the SOA.	4,100
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(49,380)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 439,162</u>

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2013

Data Control Codes		Agency Fund
		Student Activity
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 70,478
1000	Total Assets	70,478
LIABILITIES:		
Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 70,478
2000	Total Liabilities	70,478
NET POSITION:		
3000	Total Net Position	\$ —

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund collects the taxes levied to make bonded debt payments and ultimately makes the payments on the District's bonded debt.

Special Education Fund: This is a local shared service fund the provides special education service to the member districts.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

In addition, the District reports the following fund types:

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

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

b. **Measurement Focus, Basis of Accounting**

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

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

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

3. **Financial Statement Amounts**

a. **Property Taxes**

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

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

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

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

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, [deferred] [inflows] [of] [resources], represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

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

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

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net positions.

g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a

BRADY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,936,667 and the bank balance was \$6,049,464. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

The District's investments at August 31, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Time Deposits	N/A	\$ 17,215
Certificates of Deposit	Less than one year	3,962,374
Total Investments		<u>\$ 3,979,589</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2013, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Certificates of Deposit	\$3,962,374
Time Deposits	\$17,215

Secured by Pledged Securities and FDIC coverage.

b. Custodial Credit Risk

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

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

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

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 401,905	\$ --	\$ --	\$ 401,905
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>401,905</u>	<u>--</u>	<u>--</u>	<u>401,905</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	33,586,122	420,287	197,331	33,809,077
Equipment	1,366,263	121,089	--	1,487,352
Vehicles	2,326,583	91,941	--	2,418,524
Total capital assets being depreciated	<u>37,278,968</u>	<u>633,317</u>	<u>197,331</u>	<u>37,714,954</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,009,620)	108,454	681,491	(11,582,657)
Equipment	(704,703)	--	141,282	(845,985)
Vehicles	(1,549,590)	--	161,267	(1,710,856)
Total accumulated depreciation	<u>(13,263,913)</u>	<u>108,454</u>	<u>984,039</u>	<u>(14,139,498)</u>
Total capital assets being depreciated, net	<u>24,015,055</u>	<u>741,770</u>	<u>1,181,370</u>	<u>23,575,455</u>
Governmental activities capital assets, net	<u>\$ 24,416,961</u>	<u>\$ 741,770</u>	<u>\$ 1,181,370</u>	<u>\$ 23,977,361</u>

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

Depreciation was charged to functions as follows:

Instruction	\$	519,750
Instructional Resources and Media Services		11,344
Curriculum and Staff Development		10,774
Instructional Leadership		11,520
School Leadership		63,253
Guidance, Counseling, & Evaluation Services		40,784
Social Work Services		2,672
Health Services		7,398
Student Transportation		37,801
Food Services		62,300
Extracurricular Activities		58,214
General Administration		38,600
Plant Maintenance and Operations		100,900
Security and Monitoring Services		997
Data Processing Services		16,946
Community Services		787
	\$	<u>984,039</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2013, consisted of the following:

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

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2013, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Debt service fund	\$ --	Provide resources for repayment of certificates of participation
Special Revenue Fund	Special Revenue Fund	644,007	Consolidate Funds
General fund	Other Governmental Funds	95,600	Supplement other funds sources
Major fund (specify fund name)	General Fund	--	Reimburse expenditures
Other Governmental Funds	Other Governmental Funds	--	Supplement other funds sources
	Total	<u>\$ 739,607</u>	

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

F. Short-Term Debt Activity

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

G. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 18,615,000	\$ --	\$ 710,000	\$ 17,905,000	\$ 250,000
Capital leases	--	49,380	16,460	32,920	16,460
Premiums on Bonds	83,443	--	4,100	79,343	--
Compensated absences *	--	--	--	--	--
Claims and judgments *	--	--	--	--	--
Total governmental activities	\$ 18,698,443	\$ 49,380	\$ 730,560	\$ 18,017,263	\$ 266,460

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

Interest rates on capital leases are zero.

* Other long-term liabilities

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

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

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2013, are as follows:
(Including Capital Lease Purchases)

Year Ending August 31.	Governmental Activities		
	Principal	Interest	Total
2014	\$ 266,460	\$ 813,644	\$ 1,080,104
2015	276,460	803,262	1,079,722
2016	750,000	783,798	1,533,798
2017	775,000	755,324	1,530,324
2018	805,000	725,931	1,530,931
2019-2023	4,035,000	3,159,395	7,194,395
2024-2028	3,110,000	2,459,240	5,569,240
2029-2033	3,970,000	1,602,250	5,572,250
2034-2038	3,950,000	505,750	4,455,750
2039-2043	--	--	--
Totals	\$ 17,937,920	\$ 11,608,593	\$ 29,546,513

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2013, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

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

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2013, as follows:

<u>Year Ending August 31:</u>	
2014	\$ 16,460
2015	16,460
Total Minimum Rentals	<u>\$ 32,920</u>
Rental Expenditures in 2013	<u>\$ 16,460</u>

The effective interest rate on capital leases is 0.000%.

H. Commitments Under Noncapitalized Leases

The district has no noncapitalized leases.

I. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2013, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial

BRADY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2013, 2012 and 2011, and a state contribution rate of 6.4% for fiscal year 2013, 6.0 % for fiscal year 2012, and 6.644% for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2013, 2012 and 2011 were \$443,061, \$449,243 and \$491,835, respectively. The District paid additional state contributions for the years ending August 31, 2013, 2012 and 2011 in the amount of \$130,431, \$121,396 and \$159,281, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

K. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$69,228, \$70,194, and \$76,849, respectively, the active member contributions were \$44,999, \$45,268, and \$49,953, respectively, and the District's contributions were \$38,076, \$38,606, and \$42,267, respectively, which equaled the required contributions each year.

BRADY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$26,139, \$19,687, and \$19,347, respectively.

L. Employee Health Care Coverage

During the period ended August 31, 2012, employees of the District were covered by a health insurance plan, the TRS Health Care Plan. The District met all of the requirements of the Plan and paid \$380,9186 of premiums in the year ended August 31, 2012.

M. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2013.

N. Shared Services Arrangements

Shared Services Arrangements

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

<u>Member Districts</u>	<u>Expenditures</u>
Brady ISD	\$ 310,206
Lohn ISD	24,020
Rochelle ISD	42,312
Cherokee ISD	24,576
San Saba ISD	113,060
Richland Springs ISD	30,198
Special Services to Other Coops	17,372
Total	\$ <u>561,744</u>

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

O. Subsequent Events

Management has reviewed all transactions and events subsequent to August 31, 2013, through October 18, 2013. There were no reportable subsequent events.

P. Due from Other Governments

Due from Other Governments

The following is a summary of amounts due from other governmental entities as of August 31, 2013:

	State Revenue Sources	Federal Revenue Sources	Total
General Fund	\$48,167		\$48,167
Special Revenue Fund	\$777	\$108,955	\$109,732
Total Due from Other Governmental Entities	<u>\$48,944</u>	<u>\$108,955</u>	<u>\$157,899</u>

Q. Unrealized Revenues

The unearned revenue in individual funds as August 31, 2013 consists of the following:

General Fund:

Property tax revenue	\$73,865
Other prepaid revenues	\$3,725

Special Revenue Funds:

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

Debt Service Fund:

Property tax revenue	\$23,012
Total Deferred Revenue	<u>\$100,602</u>

R. Prior Period Adjustments

General Fund

The prior period adjustment to the general fund is an adjustment to workers compensation insurance for prior periods in the amount of \$40,167.

Government-Wide Adjustment

The Governmental Accounting Standards Board redefined the treatment on issuance costs in relation to bonds and other long-debt and issued new accounting principles for the treatment of these costs. Issuance costs were capitalized and amortized over the term of the debt in prior years. The change in accounting principles requires that these costs be recognized in the year of issuance. Brady ISD had unamortized issuance costs at September 1, 2012, in the amount of \$145,514. These unamortized costs are reported as a prior period adjustment in the government-wide financial statements due to this change in accounting principles.

The net effect of the prior period adjustments reduced net assets by \$105,347 in the government-wide financial statements.

Required Supplementary Information

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

BRADY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1		2		3		Variance with Final Budget Positive (Negative)
		Budgeted Amounts				Actual		
		Original	Final					
REVENUES:								
5700	Local and Intermediate Sources	\$ 4,473,870	\$ 4,485,903	\$ 4,647,585	\$ 161,682			
5800	State Program Revenues	5,890,780	5,890,780	6,053,460	162,680			
5900	Federal Program Revenues	8,845	8,845	11,814	2,969			
5020	Total Revenues	<u>10,373,495</u>	<u>10,385,528</u>	<u>10,712,859</u>	<u>327,331</u>			
EXPENDITURES:								
Current:								
Instruction & Instructional Related Services:								
0011	Instruction	5,253,534	5,214,830	5,180,879	33,951			
0012	Instructional Resources and Media Services	157,371	157,371	140,061	17,310			
0013	Curriculum and Staff Development	59,500	72,874	72,734	140			
	Total Instruction & Instr. Related Services	<u>5,470,405</u>	<u>5,445,075</u>	<u>5,393,674</u>	<u>51,401</u>			
Instructional and School Leadership:								
0021	Instructional Leadership	3,013	3,103	2,441	662			
0023	School Leadership	753,066	796,622	786,756	9,866			
	Total Instructional & School Leadership	<u>756,079</u>	<u>799,725</u>	<u>789,197</u>	<u>10,528</u>			
Support Services - Student (Pupil):								
0031	Guidance, Counseling and Evaluation Services	145,426	172,926	168,564	4,362			
0032	Social Work Services	500	500	49	451			
0033	Health Services	91,619	96,619	92,015	4,604			
0034	Student (Pupil) Transportation	483,447	587,447	469,887	117,560			
0035	Food Services	27,940	27,940	18,782	9,158			
0036	Cocurricular/Extracurricular Activities	725,300	749,485	724,080	25,405			
	Total Support Services - Student (Pupil)	<u>1,474,232</u>	<u>1,634,917</u>	<u>1,473,377</u>	<u>161,540</u>			
Administrative Support Services:								
0041	General Administration	525,384	526,952	475,612	51,340			
	Total Administrative Support Services	<u>525,384</u>	<u>526,952</u>	<u>475,612</u>	<u>51,340</u>			
Support Services - Nonstudent Based:								
0051	Plant Maintenance and Operations	1,411,938	1,326,938	1,189,492	137,446			
0052	Security and Monitoring Services	14,215	14,215	12,395	1,820			
0053	Data Processing Services	215,688	216,688	200,721	15,967			
	Total Support Services - Nonstudent Based	<u>1,641,841</u>	<u>1,557,841</u>	<u>1,402,608</u>	<u>155,233</u>			
Ancillary Services:								
0061	Community Services	3,400	3,400	1,024	2,376			
	Total Ancillary Services	<u>3,400</u>	<u>3,400</u>	<u>1,024</u>	<u>2,376</u>			
Debt Service:								
0071	Principal on Long-Term Debt	16,750	17,750	16,460	1,290			
	Total Debt Service	<u>16,750</u>	<u>17,750</u>	<u>16,460</u>	<u>1,290</u>			
Capital Outlay:								
0081	Capital Outlay	--	423,416	420,287	3,129			
	Total Capital Outlay	<u>--</u>	<u>423,416</u>	<u>420,287</u>	<u>3,129</u>			
Intergovernmental Charges:								
0093	Payments to Fiscal Agent/Member Dist.-SSA	301,274	303,274	302,774	500			
0099	Other Intergovernmental Charges	163,380	164,380	163,472	908			

BRADY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Total Intergovernmental Charges	<u>464,654</u>	<u>467,654</u>	<u>466,246</u>	<u>1,408</u>
6030	Total Expenditures	<u>10,352,745</u>	<u>10,876,730</u>	<u>10,438,485</u>	<u>438,245</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>20,750</u>	<u>(491,202)</u>	<u>274,374</u>	<u>765,576</u>
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	2,000	165,416	166,841	1,425
7913	Issuance of Capital Leases	50,250	50,250	49,380	(870)
7949	Other Resources	2,000	2,000	--	(2,000)
8911	Transfers Out	<u>(75,000)</u>	<u>(99,600)</u>	<u>(95,600)</u>	<u>4,000</u>
7080	Total Other Financing Sources and (Uses)	<u>(20,750)</u>	<u>118,066</u>	<u>120,621</u>	<u>2,555</u>
1200	Net Change in Fund Balance	--	<u>(373,136)</u>	<u>394,995</u>	<u>768,131</u>
0100	Fund Balance - Beginning	3,665,769	3,665,769	3,665,769	--
1300	Prior Period Adjustment	--	--	40,167	40,167
0100	Fund Balance - Beginning, as Restated	<u>3,665,769</u>	<u>3,665,769</u>	<u>3,705,936</u>	<u>40,167</u>
3000	Fund Balance - Ending	<u>\$ 3,665,769</u>	<u>\$ 3,292,633</u>	<u>\$ 4,100,931</u>	<u>\$ 808,298</u>

BRADY INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

SSA SPECIAL EDUCATION
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 283,877	\$ 283,877	\$ 285,529	\$ 1,652
5800	State Program Revenues	300,274	300,274	300,274	--
5900	Federal Program Revenues	418,082	418,082	135,808	(282,274)
5020	Total Revenues	<u>1,002,233</u>	<u>1,002,233</u>	<u>721,611</u>	<u>(280,622)</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	262,496	271,496	265,193	6,303
	Total Instruction & Instr. Related Services	<u>262,496</u>	<u>271,496</u>	<u>265,193</u>	<u>6,303</u>
Instructional and School Leadership:					
0021	Instructional Leadership	171,020	171,020	140,843	30,177
	Total Instructional & School Leadership	<u>171,020</u>	<u>171,020</u>	<u>140,843</u>	<u>30,177</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	271,481	262,481	256,096	6,385
	Total Support Services - Student (Pupil)	<u>271,481</u>	<u>262,481</u>	<u>256,096</u>	<u>6,385</u>
Administrative Support Services:					
0041	General Administration	6,000	6,000	4,500	1,500
	Total Administrative Support Services	<u>6,000</u>	<u>6,000</u>	<u>4,500</u>	<u>1,500</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	25,000	25,000	20,862	4,138
0053	Data Processing Services	105,000	10,500	10,058	442
	Total Support Services - Nonstudent Based	<u>130,000</u>	<u>35,500</u>	<u>30,920</u>	<u>4,580</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist. -SSA	255,736	255,736	255,736	--
	Total Intergovernmental Charges	<u>255,736</u>	<u>255,736</u>	<u>255,736</u>	<u>--</u>
6030	Total Expenditures	<u>1,096,733</u>	<u>1,002,233</u>	<u>953,288</u>	<u>48,945</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(94,500)</u>	<u>--</u>	<u>(231,677)</u>	<u>(231,677)</u>
Other Financing Sources (Uses):					
7915	Transfers In	--	--	644,007	644,007
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>644,007</u>	<u>644,007</u>
1200	Net Change in Fund Balance	<u>(94,500)</u>	<u>--</u>	<u>412,330</u>	<u>412,330</u>
0100	Fund Balance - Beginning	250,643	250,643	225,092	(25,551)
3000	Fund Balance - Ending	<u>\$ 156,143</u>	<u>\$ 250,643</u>	<u>\$ 637,422</u>	<u>\$ 386,779</u>

*Combining Statements and Budget Comparisons
as Supplementary Information*

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

BRADY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2013

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
ASSETS:			
1110	\$ (46,770)	\$ 781	\$ (900)
1240	64,523	13,010	5,901
1410	-	2,600	-
1000	<u>17,753</u>	<u>16,391</u>	<u>5,001</u>
LIABILITIES:			
Current Liabilities:			
2110	\$ -	\$ 1,095	\$ -
2160	16,182	8,803	4,559
2200	1,571	154	442
2000	<u>17,753</u>	<u>10,052</u>	<u>5,001</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450	-	6,339	-
3000	<u>-</u>	<u>6,339</u>	<u>-</u>
4000	<u>\$ 17,753</u>	<u>\$ 16,391</u>	<u>\$ 5,001</u>

313 IDEA-B Formula	314 IDEA-B Preschool	315 IDEA-B Discretionary	379 Medicaid Reimbursement Fund	392 Non-Educational Community-Based Support
\$ (5,704)	\$ (156)	\$ --	\$ --	\$ --
23,621	1,901	--	--	--
--	--	--	--	--
<u>17,917</u>	<u>1,745</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ --	\$ --	\$ --	\$ --	\$ --
16,335	1,591	--	--	--
1,582	154	--	--	--
<u>17,917</u>	<u>1,745</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ <u>17,917</u>	\$ <u>1,745</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>--</u>

BRADY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2013

Data Control Codes	404 Student Success Initiative	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
1110 Cash and Cash Equivalents	\$ --	\$ (777)	\$ (53,526)
1240 Due from Other Governments	--	777	109,733
1410 Unrealized Expenditures	--	--	2,600
1000 Total Assets	<u>--</u>	<u>--</u>	<u>58,807</u>
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ --	\$ --	\$ 1,095
2160 Accrued Wages Payable	--	--	47,470
2200 Accrued Expenditures	--	--	3,903
2000 Total Liabilities	<u>--</u>	<u>--</u>	<u>52,468</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	--	6,339
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>6,339</u>
4000 Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 58,807</u>

BRADY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 186,683	\$ --
5800 <i>State Program Revenues</i>	--	3,582	--
5900 <i>Federal Program Revenues</i>	487,919	510,064	93,689
5020 Total Revenues	<u>487,919</u>	<u>700,329</u>	<u>93,689</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	410,287	--	77,428
0012 <i>Instructional Resources and Media Services</i>	--	--	--
0013 <i>Curriculum and Staff Development</i>	43,811	--	16,261
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--
0032 <i>Social Work Services</i>	31,182	--	--
0034 <i>Student Transportation</i>	--	295	--
0035 <i>Food Service</i>	--	756,118	--
0051 <i>Plant Maintenance and Operations</i>	--	44,664	--
0061 <i>Community Services</i>	2,639	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	--
6030 Total Expenditures	<u>487,919</u>	<u>801,077</u>	<u>93,689</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>(100,748)</u>	<u>--</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	95,600	--
8911 <i>Transfers Out</i>	--	--	--
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>95,600</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>--</u>	<u>(5,148)</u>	<u>--</u>
0100 Fund Balances - Beginning	<u>--</u>	<u>11,487</u>	<u>--</u>
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 6,339</u>	<u>\$ --</u>

313	314	315	379	392
IDEA-B Formula	IDEA-B Preschool	IDEA-B Discretionary	Medicaid Reimbursement Fund	Non-Educational Community-Based Support
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	2,000
552,159	31,322	89,940	--	--
<u>552,159</u>	<u>31,322</u>	<u>89,940</u>	<u>--</u>	<u>2,000</u>
363,275	12,259	89,940	--	--
--	--	--	--	--
1,200	--	--	--	--
63,557	19,063	--	--	--
--	--	--	--	2,000
--	--	--	--	--
--	--	--	--	--
6,127	--	--	--	--
118,000	--	--	--	--
<u>552,159</u>	<u>31,322</u>	<u>89,940</u>	<u>--</u>	<u>2,000</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	(644,007)	--
--	--	--	(644,007)	--
--	--	--	(644,007)	--
--	--	--	644,007	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

BRADY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	404 Student Success Initiative	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ 186,683
5800 <i>State Program Revenues</i>	4,695	61,853	72,130
5900 <i>Federal Program Revenues</i>	--	--	1,765,093
5020 Total Revenues	<u>4,695</u>	<u>61,853</u>	<u>2,023,906</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	4,695	60,809	1,018,693
0012 <i>Instructional Resources and Media Services</i>	--	1,044	1,044
0013 <i>Curriculum and Staff Development</i>	--	--	61,272
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	82,620
0032 <i>Social Work Services</i>	--	--	33,182
0034 <i>Student Transportation</i>	--	--	295
0035 <i>Food Service</i>	--	--	756,118
0051 <i>Plant Maintenance and Operations</i>	--	--	44,664
0061 <i>Community Services</i>	--	--	8,766
0093 <i>Payments to Shared Service Arrangements</i>	--	--	118,000
6030 Total Expenditures	<u>4,695</u>	<u>61,853</u>	<u>2,124,654</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>--</u>	<u>(100,748)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	--	95,600
8911 <i>Transfers Out</i>	--	--	(644,007)
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>(548,407)</u>
1200 Net Change in Fund Balances	<u>--</u>	<u>--</u>	<u>(649,155)</u>
0100 Fund Balances - Beginning	<u>--</u>	<u>--</u>	<u>655,494</u>
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,339</u>

Other Supplementary Information

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

BRADY INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2013*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance	Debt Service				
2004 and Prior Years	\$ Various	\$ Various	\$	Various	\$	Various
2005	1.50	.156				218,399,603
2006	1.50	.157				259,101,260
2007	1.35	.157				243,357,817
2008	1.04	.4652				269,421,910
2009	1.04	.4652				298,114,920
2010	1.04	.3275				324,555,400
2011	1.04	.3275				363,644,370
2012	1.04	.3275				376,576,660
2013 (School Year Under Audit)	1.04	.365				419,043,213

1000 Totals

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

10 Beginning Balance 9/1/12	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/13
\$ 103,844	\$ --	\$ 3,427	\$ 515	\$ (66,233)	\$ 33,670
11,122	--	2,414	250	(1,361)	7,097
10,945	--	2,994	313	(903)	6,734
9,161	--	3,062	351	(310)	5,438
16,107	--	4,592	2,116	(272)	9,128
25,754	--	7,324	3,276	(260)	14,894
39,623	--	17,421	5,566	(1,601)	15,034
85,416	--	36,783	12,081	(5,166)	31,386
132,328	--	63,312	20,449	(5,115)	43,452
--	5,698,963	4,054,304	1,466,889	(67,828)	109,940
<u>\$ 434,299</u>	<u>\$ 5,698,963</u>	<u>\$ 4,195,634</u>	<u>\$ 1,511,806</u>	<u>\$ (149,050)</u>	<u>\$ 276,773</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

BRADY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION AND FUNCTION 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 115,937	\$ 222,210	\$ --	\$ --	\$ 338,147
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	4,954	--	--	--	--	--	4,954
6212	Audit Services	--	--	--	16,000	--	--	16,000
6213	Tax Appraisal and Collection	--	163,472	--	--	--	--	163,472
621X	Other Prof. Services	2,105	--	37,917	2,935	--	--	42,957
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	--	--	--	--
6240	Contr. Maint. and Repair	--	--	--	--	5,122	--	5,122
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	--	19,823	--	19,823
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	96	--	2,948	13,494	--	--	16,538
6410	Travel, Subsistence, Stipends	4,021	--	1,944	3,277	--	--	9,242
6420	Ins. and Bonding Costs	--	--	175	175	--	--	350
6430	Election Costs	1,722	--	--	--	--	--	1,722
6490	Miscellaneous Operating	696	--	733	23,828	--	--	25,257
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 13,594 \$ 163,472 \$ 159,654 \$ 281,919 \$ 24,945 \$ -- \$ 643,584

Total Expenditures for General and Special Revenue Funds (9) \$ 13,516,427

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 637,712
Total Debt & Lease (6500)	(11)	\$ 16,460
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,197,909
Food (Function 35, 6341 and 6499)	(13)	\$ 288,748
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 281,919

Subtotal 2,422,748

Net Allowed Direct Cost \$ 11,093,679

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 33,809,077
Historical Cost of Buildings over 50 years old	(16)	861,577
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	3,905,876
Historical Cost of Furniture & Equipment over 16 years old	(19)	--
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 69,843

(8) Note A - \$10,058 in Function 53 expenditures and \$163,472 in Function 99 expenditures are included in this report on administrative costs.

BRADY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2013

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2013 (Exhibit C-1 object 3000 for the General Fund only)	\$ 4,100,931
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	740,000
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	2,510,350
8	Estimate of delayed payments from state sources (58XX)	730,000
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	120,000
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	4,100,350
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 581

If Item 11 is a Positive Number

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

BRADY INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 231,497	\$ 186,683	\$ (44,814)
5800 <i>State Program Revenues</i>	4,014	3,582	(432)
5900 <i>Federal Program Revenues</i>	475,523	510,064	34,541
5020 Total Revenues	<u>711,034</u>	<u>700,329</u>	<u>(10,705)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0034 <i>Student (Pupil) Transportation</i>	353	295	58
0035 <i>Food Services</i>	760,362	756,118	4,244
Total Support Services - Student (Pupil)	<u>760,715</u>	<u>756,413</u>	<u>4,302</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	49,919	44,664	5,255
Total Support Services - Nonstudent Based	<u>49,919</u>	<u>44,664</u>	<u>5,255</u>
6030 Total Expenditures	<u>810,634</u>	<u>801,077</u>	<u>9,557</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(99,600)</u>	<u>(100,748)</u>	<u>(1,148)</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	99,600	95,600	(4,000)
7080 Total Other Financing Sources and (Uses)	<u>99,600</u>	<u>95,600</u>	<u>(4,000)</u>
1200 Net Change in Fund Balance	<u>--</u>	<u>(5,148)</u>	<u>(5,148)</u>
0100 Fund Balance - Beginning	<u>17,068</u>	<u>11,487</u>	<u>(5,581)</u>
3000 Fund Balance - Ending	<u>\$ 17,068</u>	<u>\$ 6,339</u>	<u>\$ (10,729)</u>

BRADY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,484,210	\$ 1,570,139	\$ 85,929
5800 <i>State Program Revenues</i>	62,327	66,139	3,812
5900 <i>Federal Program Revenues</i>	--	4,027	4,027
5020 Total Revenues	<u>1,546,537</u>	<u>1,640,305</u>	<u>93,768</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	710,000	710,000	--
0072 <i>Interest on Long-Term Debt</i>	831,537	831,537	--
0073 <i>Bond Issuance Costs and Fees</i>	5,000	4,038	962
Total Debt Service	<u>1,546,537</u>	<u>1,545,575</u>	<u>962</u>
6030 Total Expenditures	<u>1,546,537</u>	<u>1,545,575</u>	<u>962</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	94,730	94,730
1200 Net Change in Fund Balance	--	94,730	94,730
0100 Fund Balance - Beginning	910,089	910,089	--
3000 Fund Balance - Ending	<u>\$ 910,089</u>	<u>\$ 1,004,819</u>	<u>\$ 94,730</u>

BURL D. LOWERY
Certified Public Accountant
311 Center Avenue
Brownwood, Texas 76801

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

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

Members of the Board of Trustees:

I 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 Brady Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Brady Independent School District's basic financial statements, and have issued my report thereon dated October 18, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Brady Independent School 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brady Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Brady Independent School 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 Brady Independent School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are

required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

Brownwood,, Texas
October 18, 2013

BURL D. LOWERY
Certified Public Accountant
311 Center Avenue
Brownwood, Texas 76801

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

I have audited Brady Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Brady Independent School District's major federal programs for the year ended August 31, 2013. Brady Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Brady Independent School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Brady Independent School 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I considered 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.

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

Brownwood,, Texas
October 18, 2013

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	ESEA Title 1 Part A

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

BRADY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2013

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

BRADY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013

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

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	13610101160901	\$ 470,166
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	146101160901	17,753
Total CFDA Number 84.010a			<u>487,919</u>
<i>SSA IDEA-B Formula *</i>	84.027	136600011609016600	534,242
<i>SSA IDEA-B Formula *</i>	84.027	136600011609016600	17,917
<i>SSA IDEA-B Discretionary *</i>	84.027	136600021609016677	89,940
Total CFDA Number 84.027			<u>642,099</u>
<i>SSA IDEA-B Preschool *</i>	84.173	136610011609016610	29,577
<i>SSA IDEA-B Preschool *</i>	84.173	146610011609016610	1,745
Total CFDA Number 84.173			<u>31,322</u>
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	13694501160901	88,688
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	14694501160901	5,001
Total CFDA Number 84.367a			<u>93,689</u>
Total Passed Through State Department of Education			<u>1,255,029</u>
Total U. S. Department of Education			<u>1,255,029</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401201	147,663
National School Lunch Program *	10.555	71301201	322,552
National School Lunch Program (Non-cash) *	10.555	71301201	39,849
Total CFDA Number 10.555			<u>362,401</u>
Total Passed Through State Department of Education			<u>510,064</u>
Total U. S. Department of Agriculture			<u>510,064</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,765,093</u>

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

The accompanying notes are an integral part of this schedule.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

1. Basis of Presentation

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

2. Subrecipients

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

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

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2013

<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 unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ -