

BRADY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2010

Introductory Section

Brady Independent School District
Annual Financial Report
For The Year Ended August 31, 2010

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 Annual Financial Report
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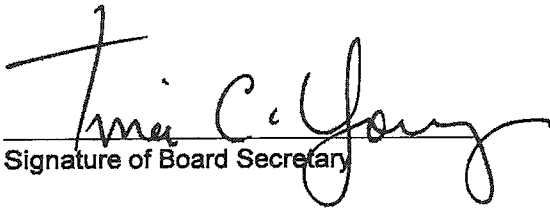
CERTIFICATE OF BOARD

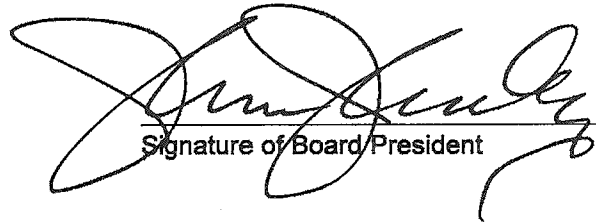
Brady Independent School District
Name of School District

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, 2010, at a meeting of the board of trustees of such school district on the 18th day of October, 2010.


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 Ave.
Brownwood, Texas 76801

Independent Auditor's Report on Financial Statements

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

Members of the Board of Trustees:

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brady Independent School District as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brady Independent School District's management. My responsibility is to express opinions on these financial statements based on my audit.

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

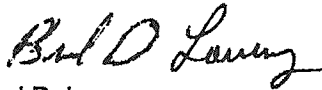
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brady Independent School District as of August 31, 2010, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 15, 2010, on my consideration of Brady Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brady Independent School District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. 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.

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

October 15, 2010

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, 2010. 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 \$10,258,109 at August 31, 2010.
- During the year, the District's expenses were \$793,046, less than the \$16,187,590 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased by \$398,403 and its revenues decreased by \$302,130 during the current year.
- The general fund reported a fund balance this year of \$2,299,291.
- The District issued school building bonds in the amount of \$14,500,000 to fund construction of a new high school in the 2006-2007 fiscal year. As of August 31, 2010, the District has funds reserved for construction of \$64,841.

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 \$ 10,258,109 at August 31, 2010 and \$9,465,063 at August 31, 2009.

The District has restricted net assets of \$1,019,580 which are restricted to future bond payments, construction, and state and federal programs, which leaves \$3,162,761 of unrestricted net assets at August 31, 2010. The unreserved funds of \$3,162,761 represents resources available to fund the programs of the District next year.

Changes in net assets. The District's total revenues were \$16,187,590. A significant portion, 27.4%, of the District's revenue comes from taxes. 45.4% comes from state available and foundation grants, while only 1.65% relates to charges for services.

The total cost of all programs and services was \$15,394,544; 52% of these costs are for instruction and instructional related services. (Expenditure Functions 11 and 12).

Governmental Activities

- Property tax rates for debt service decreased slightly during the current year. The taxable values increased which yielded tax revenues of \$4,440,643.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types in the individual funds totaled \$16,169,796, a decrease of 1.7% over the preceding year. The decrease in local revenues is a result of a decrease state revenue. State foundation revenue fluctuates with student enrollment. The District's average daily attendance in 2009-2010 was slightly less than the 2008-2009 average daily attendance.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$371,428 below final budget amounts of the General Fund.

On the other hand, resources available were \$183,372 less than the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the District had invested \$38,390,582 in a broad range of capital assets, including land, equipment buildings, and vehicles. This amount represents a net increase (including additions and deductions) of \$5,443,890 or 16.5% 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 \$19,960,000 in bonds outstanding. The District issued capital leases in the amount of \$50,383 to fund equipment purchases in the current year. 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 2010-2011 budget preparation is expected to increase slightly.
- General operating fund spending decreases in the 2010-2011 budget from \$11,263,864 to \$10,280,780. This is a decrease of 8.7%.
- The District's 2010-2011 refined average daily attendance is expected to be approximately the same as the 2009-2010 refined average daily attendance.

These indicators were taken into account when adopting the general fund budget for 2010-2011. Amounts available for appropriation in the general fund budget are \$10,957,477, a decrease of 2.9 percent over the final 2009-2010 budget of \$11,278,639. 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 8.7% to \$10,280,780. The District has added no major new programs or initiatives to the 2010-2011 budget.

If these estimates are realized, the District's budgetary general fund balance is not expected to change appreciably by the close of 2010-2011.

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 \$10,258,109 at August 31, 2010. (See Table 1)

Table 1
Brady Independent School District's Net Assets

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash and cash equivalents	\$4,402,028	\$10,519,891
Due from other governments	\$159,703	\$159,930
Property taxes receivable net of uncollectible	\$166,391	\$185,844
Inventories	\$0	\$0
Accrued interest	\$0	\$924
Other receivables	\$36,360	\$49,064
Unamortized bond issuance costs	\$165,940	\$176,153
Deferred expense	\$84,646	\$110,405
Total Current Assets	<u>\$5,015,068</u>	<u>\$11,202,211</u>
Noncurrent Assets:		
Land	\$401,905	\$401,905
Construction in progress	\$0	\$14,395,245
Buildings	\$34,583,958	\$15,405,651
Equipment and vehicles	\$3,404,989	\$2,744,161
Less accumulated depreciation	(\$12,321,495)	(\$11,811,428)
Total Noncurrent Assets	<u>\$26,069,357</u>	<u>\$21,135,534</u>
Total Assets	<u>\$31,084,425</u>	<u>\$32,337,745</u>
Current Liabilities:		
Accounts payable and accrued expenses	\$387,420	\$1,034,096
Claims payable		
Due to other funds		
Deferred revenue	\$353,664	\$1,147,843
Total Current Liabilities	<u>\$741,084</u>	<u>\$2,181,939</u>
Long-term Liabilities:		
Bonds Payable	\$19,960,000	\$20,595,000
Unamortized premium on bonds	\$91,643	\$95,743
Capital Leases payable	\$33,589	\$0
Total Long-term Liabilities	<u>\$20,085,232</u>	<u>\$20,690,743</u>
Total Liabilities	<u>\$20,826,316</u>	<u>\$22,872,682</u>
Net Assets:		
Invested in capital assets	\$6,075,768	\$540,534
Restricted for debt service	\$894,739	\$855,360
Restricted for federal and state programs	\$60,000	\$98,199
Restricted for construction	\$64,841	\$1,627,602
Unrestricted	\$3,162,761	\$6,343,368
Total Net Assets	<u>\$10,258,109</u>	<u>\$9,465,063</u>

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

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

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Program Revenues:		
Charges for services	\$267,540	\$241,883
Operating grants and contributions	\$3,511,230	\$1,763,949
Capital grants and contributions		
General Revenues:		
Property taxes	\$4,440,643	\$4,416,195
State aid - formula	\$7,351,986	\$9,463,403
Investment earnings	\$152,087	\$465,582
Other revenues	\$426,856	\$102,146
Special items inflow	\$37,247	\$36,562
Rounding	\$1	\$0
Total Revenues	<u>\$16,187,590</u>	<u>\$16,489,720</u>
Expenditures:		
Instruction	\$7,757,250	\$7,574,750
Instructional resources and media services	\$211,373	\$232,726
Curriculum development and staff development	\$117,293	\$128,566
Instructional leadership	\$162,127	\$148,789
School leadership	\$850,894	\$859,542
Guidance and counseling services	\$615,104	\$626,183
Social work services	\$35,917	\$36,642
Health services	\$131,781	\$137,347
Student (pupil) transportation	\$337,418	\$369,859
Food services	\$701,435	\$686,474
Curricular/extracurricular activities	\$727,247	\$692,093
General administration	\$594,755	\$562,273
Plant maintenance & operation	\$1,340,484	\$1,274,609
Security and monitoring services	\$38,902	\$13,517
Data processing services	\$297,942	\$196,602
Community Services	\$109,755	\$46,809
Debt services	\$916,690	\$944,273
Payments to fiscal agent/member districts SSA	\$304,889	\$320,001
Other intergovernmental charges	\$143,288	\$145,086
Total Expenditures	<u>\$15,394,544</u>	<u>\$14,996,141</u>
Excess (Deficiency) Before Other Resources, Uses, and Transfers	\$793,046	\$1,493,579
Other Resources (Uses)		
Transfers In (Out)	<u>\$0</u>	<u>\$0</u>
Increase (Decrease) in Net Assets	\$793,046	\$1,493,579
Net Assets - Beginning	\$9,465,063	\$7,971,486
Prior Period Adjustments & Rounding	<u>\$0</u>	<u>(\$2)</u>
Net Assets - Ending	<u>\$10,258,109</u>	<u>\$9,465,063</u>

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

Table 3
Brady Independent School District's Capital Assets

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$401,905	\$401,905
Construction in progress	\$34,583,958	\$14,395,245
Buildings and improvements	\$0	\$15,405,651
Equipment and vehicles	\$3,404,989	\$2,744,161
Total Capital Assets	\$38,390,852	\$32,946,962
Total Accumulated Depreciation	\$12,321,495	\$11,811,428
Net Capital Assets	\$26,069,357	\$21,135,534

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

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Bonds payable	\$19,960,000	\$20,595,000
Capital leases payable	\$33,589	\$0
Accrued Interest on Capital Appreciation Bonds	\$0	\$0
Total Long-term Debt	\$19,993,589	\$20,595,000

Basic Financial Statements

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2010

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 1,883,406
1120	Current Investments	2,518,622
1225	Property Taxes Receivable (Net)	166,391
1240	Due from Other Governments	159,703
1290	Other Receivables (Net)	36,360
1410	Deferred Expenses	84,631
1420	Capitalized Bond and Other Debt Issuance Costs	165,940
1490	Other Current Assets	15
Capital Assets:		
1510	Land	401,905
1520	Buildings and Improvements, Net	24,121,243
1530	Furniture and Equipment, Net	1,546,209
1000	Total Assets	<u>31,084,425</u>
LIABILITIES:		
2165	Accrued Liabilities	387,420
2300	Unearned Revenue	353,664
Noncurrent Liabilities:		
2501	Due Within One Year	676,795
2502	Due in More Than One Year	19,408,437
2000	Total Liabilities	<u>20,826,316</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	6,075,768
Restricted For:		
3820	State and Federal Programs	60,000
3850	Debt Service	894,739
3860	Capital Projects	64,841
3900	Unrestricted	3,162,761
3000	Total Net Assets	<u>\$ 10,258,109</u>

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	<i>Instruction</i>	\$ 7,757,250	\$ 47,338	\$ 1,828,708	\$ (5,881,204)
12	<i>Instructional Resources and Media Services</i>	211,373	--	--	(211,373)
13	<i>Curriculum and Staff Development</i>	117,293	--	34,471	(82,822)
21	<i>Instructional Leadership</i>	162,127	--	208,695	46,568
23	<i>School Leadership</i>	850,894	--	1,812	(849,082)
31	<i>Guidance, Counseling, & Evaluation Services</i>	615,104	--	207,181	(407,923)
32	<i>Social Work Services</i>	35,917	--	4,868	(31,049)
33	<i>Health Services</i>	131,781	--	--	(131,781)
34	<i>Student Transportation</i>	337,418	--	2,072	(335,346)
35	<i>Food Service</i>	701,435	148,228	493,754	(59,453)
36	<i>Cocurricular/Extracurricular Activities</i>	727,247	71,974	--	(655,273)
41	<i>General Administration</i>	594,755	--	6,787	(587,968)
51	<i>Plant Maintenance and Operations</i>	1,340,484	--	70,826	(1,269,658)
52	<i>Security and Monitoring Services</i>	38,902	--	6,082	(32,820)
53	<i>Data Processing Services</i>	297,942	--	44,129	(253,813)
61	<i>Community Services</i>	109,755	--	38,825	(70,930)
72	<i>Interest on Long-term Debt</i>	912,890	--	481,353	(431,537)
73	<i>Bond Issuance Costs and Fees</i>	3,800	--	--	(3,800)
93	<i>Payments Related to Shared Services Arrangements</i>	304,889	--	81,667	(223,222)
99	<i>Other Intergovernmental Charges</i>	143,288	--	--	(143,288)
TG	Total Governmental Activities	15,394,544	267,540	3,511,230	(11,615,774)
TP	Total Primary Government	\$ 15,394,544	\$ 267,540	\$ 3,511,230	(11,615,774)
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				3,356,718
DT	<i>Property Taxes, Levied for Debt Service</i>				1,083,925
IE	<i>Investment Earnings</i>				152,087
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				7,351,986
MI	<i>Miscellaneous</i>				426,856
	Special and Extraordinary Items:				
S1	<i>Special Item Inflow</i>				37,247
FR	<i>Transfers</i>				1
TR	Total General Revenues				12,408,820
CN	Change in Net Assets				793,046
NB	Net Assets - Beginning				9,465,063
NE	Net Assets - Ending				\$ 10,258,109

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2010

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110 Cash and Cash Equivalents	\$ 819,378	\$ 385,715
1120 Current Investments	2,018,622	500,000
1225 Taxes Receivable, Net	129,352	37,039
1240 Due from Other Governments	4,173	--
1290 Other Receivables	27,336	9,024
1410 Deferred Expenditures	82,947	--
1490 Other Current Assets	15	--
1000 Total Assets	<u>\$ 3,081,823</u>	<u>\$ 931,778</u>
LIABILITIES:		
Current Liabilities:		
2160 Accrued Wages Payable	\$ 293,993	\$ --
2200 Accrued Expenditures	5,523	--
2300 Unearned Revenue	483,016	37,039
2000 Total Liabilities	<u>782,532</u>	<u>37,039</u>
FUND BALANCES:		
Reserved Fund Balances:		
3420 Debt Service	--	894,739
3450 Reserve for Food Service	--	--
3490 Other Reserves of Fund Balance	--	--
3600 Unreserved	2,299,291	--
3000 Total Fund Balances	<u>2,299,291</u>	<u>894,739</u>
4000 Total Liabilities and Fund Balances	<u>\$ 3,081,823</u>	<u>\$ 931,778</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 64,841	\$ 613,472	\$ 1,883,406
--	--	2,518,622
--	155,530	166,391
--	--	159,703
--	1,684	36,360
--	--	84,631
--	--	15
<u>\$ 64,841</u>	<u>\$ 770,686</u>	<u>\$ 4,849,128</u>
\$ --	\$ 82,514	\$ 376,507
--	5,390	10,913
--	--	520,055
<u>--</u>	<u>87,904</u>	<u>907,475</u>
--	--	894,739
--	60,000	60,000
64,841	622,782	687,623
--	--	2,299,291
<u>64,841</u>	<u>682,782</u>	<u>3,941,653</u>
<u>\$ 64,841</u>	<u>\$ 770,686</u>	<u>\$ 4,849,128</u>

BRADY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2010

Total fund balances - governmental funds balance sheet	\$ 3,941,653
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	26,069,357
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	166,391
Payables for bond principal which are not due in the current period are not reported in the funds.	(19,960,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(33,589)
Premiums on bonds sold are amortized in the government-wide financial statements.	(91,643)
Bond issuance costs are capitalized and amortized in the government-wide financial statements.	165,940
Net assets of governmental activities - Statement of Net Assets	<u>\$ 10,258,109</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, 2010

Data Control Codes	10 General Fund	50 Debt Service Fund
REVENUES:		
5700 Local and Intermediate Sources	\$ 3,779,088	\$ 1,103,604
5800 State Program Revenues	7,302,379	481,353
5900 Federal Program Revenues	13,800	-
5020 Total Revenues	<u>11,095,267</u>	<u>1,584,957</u>
EXPENDITURES:		
Current:		
0011 Instruction	5,758,815	--
0012 Instructional Resources and Media Services	203,844	--
0013 Curriculum and Staff Development	34,769	--
0021 Instructional Leadership	3,914	--
0023 School Leadership	818,774	--
0031 Guidance, Counseling, & Evaluation Services	191,639	--
0032 Social Work Services	1,047	--
0033 Health Services	127,087	--
0034 Student Transportation	430,749	--
0035 Food Service	21,818	--
0036 Cocurricular/Extracurricular Activities	791,177	--
0041 General Administration	537,157	--
0051 Plant Maintenance and Operations	1,249,325	--
0052 Security and Monitoring Services	31,434	--
0053 Data Processing Services	238,077	--
0061 Community Services	69,506	--
0071 Principal on Long-term Debt	16,794	635,000
0072 Interest on Long-term Debt	--	906,777
0073 Bond Issuance Costs and Fees	--	3,800
0081 Capital Outlay	--	--
0093 Payments to Shared Service Arrangements	223,222	--
0099 Other Intergovernmental Charges	143,288	--
6030 Total Expenditures	<u>10,892,436</u>	<u>1,545,577</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>202,831</u>	<u>39,380</u>
Other Financing Sources and (Uses):		
7912 Sale of Real or Personal Property	13,477	--
7913 Proceeds from Capital Leases	50,383	--
7915 Transfers In	11,648	--
7949 Other Resources	23,770	--
8911 Transfers Out	(3,583,878)	--
7080 Total Other Financing Sources and (Uses)	<u>(3,484,600)</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>(3,281,769)</u>	<u>39,380</u>
0100 Fund Balances - Beginning	5,581,060	855,359
3000 Fund Balances - Ending	<u>\$ 2,299,291</u>	<u>\$ 894,739</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 6,643	\$ 417,245	\$ 5,306,580
--	283,035	8,066,767
--	2,782,649	2,796,449
<u>6,643</u>	<u>3,482,929</u>	<u>16,169,796</u>
--	1,799,704	7,558,519
--	--	203,844
--	78,346	113,115
--	152,438	156,352
--	1,812	820,586
--	401,556	593,195
--	33,591	34,638
--	--	127,087
--	2,099	432,848
--	654,633	676,451
--	--	791,177
--	36,410	573,567
--	62,701	1,312,026
--	6,082	37,516
--	49,253	287,330
--	36,340	105,846
--	--	651,794
--	--	906,777
--	--	3,800
5,139,404	--	5,139,404
--	81,667	304,889
--	--	143,288
<u>5,139,404</u>	<u>3,396,632</u>	<u>20,974,049</u>
<u>(5,132,761)</u>	<u>86,297</u>	<u>(4,804,253)</u>
--	--	13,477
--	--	50,383
3,570,000	13,878	3,595,526
--	--	23,770
--	(11,647)	(3,595,525)
<u>3,570,000</u>	<u>2,231</u>	<u>87,631</u>
<u>(1,562,761)</u>	<u>88,528</u>	<u>(4,716,622)</u>
1,627,602	594,254	8,658,275
<u>\$ 64,841</u>	<u>\$ 682,782</u>	<u>\$ 3,941,653</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, 2010

Net change in fund balances - total governmental funds	\$ (4,716,622)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	5,443,890
The depreciation of capital assets used in governmental activities is not reported in the funds.	(510,067)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(19,453)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	635,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	16,794
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(6,113)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(50,383)
Rounding difference	(1)
Change in net assets of governmental activities - Statement of Activities	<u>\$ 793,046</u>

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2010

Data Control Codes		Agency Fund	Student Activity
	ASSETS:		
1110	Cash and Cash Equivalents	\$	57,892
1000	Total Assets	\$	57,892
	LIABILITIES:		
	Current Liabilities:		
2190	Due to Student Groups	\$	57,892
2000	Total Liabilities		57,892
	NET ASSETS		
3000	Total Net Assets	\$	---

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, 2010

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This is the District's debt service fund to retire bonded indebtedness.

Capital Project Fund: the District's construction projects are administered through this fund.

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

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

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

b. Inventories and Prepaid Items

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

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

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

items.

c. **Capital Assets**

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

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

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

d. **Receivable and Payable Balances**

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

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

e. **Interfund Activity**

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

f. **Use of Estimates**

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

g. **Data Control Codes**

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

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:

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

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

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

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

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

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient 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, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,402,028 and the bank balance was \$4,766,965. The District's cash deposits at August 31, 2010 and during the year ended August 31, 2010, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

The District's investments at August 31, 2010 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Time Deposits	N/A	\$ 18,622
Certificates of Deposit	180 Days	2,500,000
		--
		--
Total Investments		<u>\$ 2,518,622</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, 2010, 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:

None

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

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, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 401,905	\$ --	\$ --	\$ 401,905
Construction in progress	14,395,245	--	14,395,245	--
Total capital assets not being depreciated	<u>14,797,150</u>	<u>--</u>	<u>14,395,245</u>	<u>401,905</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	15,405,651	19,178,307	--	34,583,958
Equipment	619,573	549,411	--	1,168,984
Vehicles	2,124,588	111,417	--	2,236,005
Total capital assets being depreciated	<u>18,149,813</u>	<u>19,839,134</u>	<u>--</u>	<u>37,988,947</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,138,820)	--	323,896	(10,462,715)
Equipment	(424,650)	--	40,749	(465,399)
Vehicles	(1,247,958)	--	145,423	(1,393,381)
Total accumulated depreciation	<u>(11,811,428)</u>	<u>--</u>	<u>510,067</u>	<u>(12,321,495)</u>
Total capital assets being depreciated, net	<u>6,338,384</u>	<u>19,839,134</u>	<u>510,067</u>	<u>25,667,452</u>
Governmental activities capital assets, net	<u>\$ 21,135,534</u>	<u>\$ 19,839,134</u>	<u>\$ 14,905,312</u>	<u>\$ 26,069,357</u>

Depreciation was charged to functions as follows:

Instruction	\$ 278,399
Instructional Resources and Media Services	7,529
Curriculum and Staff Development	4,178
Instructional Leadership	5,775
School Leadership	30,308
Guidance, Counseling, & Evaluation Services	21,909
Social Work Services	1,279
Health Services	4,694
Student Transportation	15,987
Food Services	24,984
Extracurricular Activities	29,473
General Administration	21,188
Plant Maintenance and Operations	48,458
Security and Monitoring Services	1,386
Data Processing Services	10,612
Community Services	3,909
	<u>\$ 510,067</u>

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2010, consisted of the following:

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

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2010, 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	General Fund	11,648	Pay debt service on health insurance financing bonds
General fund	Other Governmental Funds	3,583,878	Supplement other funds sources
Major fund (specify fund name)	General Fund	--	Reimburse expenditures
Other Governmental Funds	Other Governmental Funds	--	Supplement other funds sources
	Total	\$ 3,595,526	

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, 2010, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 20,595,000	\$ --	\$ 635,000	\$ 19,960,000	\$ 660,000
Capital leases	--	50,383	16,794	33,589	16,794
Claims and judgments *	--	--	--	--	--
Total governmental activities	\$ 20,595,000	\$ 50,383	\$ 651,794	\$ 19,993,589	\$ 676,794

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

The interest rates on bonds range from 3.4% to 4.8%.

* Other long-term liabilities

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

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

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2010, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 676,794	\$ 882,186	\$ 1,558,980
2012	701,794	856,964	1,558,759
2013	710,000	831,537	1,541,537
2014	250,000	813,644	1,063,644
2015	260,000	803,262	1,063,262
2016-2020	4,025,000	3,624,031	7,649,031
2021-2025	3,495,000	2,872,907	6,367,907
2026-2030	3,430,000	2,142,750	5,572,750
2031-2035	4,375,000	1,195,500	5,570,500
2036-2040	2,070,000	1,565	2,071,565
Totals	<u>\$ 19,993,589</u>	<u>\$ 14,024,345</u>	<u>\$ 34,017,934</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2010, 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>

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2010, as follows:

<u>Year Ending August 31:</u>	
2011	\$ 16,794
2012	16,794
Total Minimum Rentals	<u>\$ 33,589</u>
 Rental Expenditures in 2010	 <u>\$ 16,794</u>

The effective interest rate on capital leases is 0.00(Zero)
The capital lease payments are included in future debt service requirements shown above.

H. Commitments Under Noncapitalized Leases

The District has no noncapitalized leases.
future rental payments as of August 31, 2010, as follows:

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 2010, 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 (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2010, 2009 and 2008 were \$526,399, \$522,670 and \$516,136, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2010, 2009 and 2008 were \$159,125, \$157,891 and \$159,740, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$551,684 for the year ended August 31, 2010.

K. Retiree Health Care Plan

1. Plan Description

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

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, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

2. 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. 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 2010, 2009 and 2008. 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. For the years ended August 31, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$82,250, \$81,714, and \$80,646, respectively, the active member contributions were \$53,466, \$44,491, and \$44,355, respectively, and the District's contributions were \$45,237, \$37,435, and \$40,191, respectively, which equaled the required contributions each year.

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, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$20,804, \$19,476, and \$18,833, respectively.

L. Employee Health Care Coverage

During the period ended August 31, 2010, 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 \$620,129 of premiums in the year ended August 31, 2010.

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

The District is involved in litigation regarding its special education program. Management feels that losses, if any, will be fully covered by the District's insurance carrier.

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

N. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

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	\$ 242,990
Lohn ISD	37,946
Rochelle ISD	39,283
Cherokee ISD	33,760
San Saba ISD	109,584
Richland Springs ISD	36,142
Special Services to Other Coops	29,163
Total	<u>\$ 528,868</u>

O. Subsequent Events

None

P. Due from Other Governments

The following is a summary of amounts due from other governmental entities as of August 31, 2010:

	<u>State Revenue Sources</u>	<u>Federal Revenue Sources</u>	<u>Total</u>
General Fund	\$4,173		\$4,173
Special Revenue Fund	\$1,169	\$154,359	\$155,528
Total Due from Other Governmental Entities	<u>\$5,342</u>	<u>\$154,359</u>	<u>\$159,701</u>

Q. Unearned Revenue in Individual Funds

The unearned revenue in individual funds as August 31, 2010 consists of the following:

General Fund:

Property tax revenue	\$129,352
State foundation revenue	\$346,559
Other local revenue	\$7,105

Special Revenue Funds:

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

Debt Service Fund:

Property tax revenue	\$37,039
Total Deferred Revenue	<u>\$520,055</u>

BRADY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

R. Special Items In

The District has the following special items in:

Insurance recovery	23,770
Sale of equipment	13,477
Total Special Items in	<u>37,247</u>

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, 2010

EXHIBIT G-1

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 3,570,028	\$ 3,751,027	\$ 3,779,088	\$ 28,061
5800	State Program Revenues	7,514,002	7,516,112	7,302,379	(213,733)
5900	Federal Program Revenues	11,000	11,500	13,800	2,300
5020	Total Revenues	<u>11,095,030</u>	<u>11,278,639</u>	<u>11,095,267</u>	<u>(183,372)</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	5,675,290	5,802,646	5,758,815	43,831
0012	Instructional Resources and Media Services	231,475	221,175	203,844	17,331
0013	Curriculum and Staff Development	46,470	38,470	34,769	3,701
	Total Instruction & Instr. Related Services	<u>5,953,235</u>	<u>6,062,291</u>	<u>5,997,428</u>	<u>64,863</u>
Instructional and School Leadership:					
0021	Instructional Leadership	2,003	4,113	3,914	199
0023	School Leadership	870,447	836,450	818,774	17,676
	Total Instructional & School Leadership	<u>872,450</u>	<u>840,563</u>	<u>822,688</u>	<u>17,875</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	196,351	196,351	191,639	4,712
0032	Social Work Services	1,750	1,750	1,047	703
0033	Health Services	133,024	133,024	127,087	5,937
0034	Student (Pupil) Transportation	615,048	580,048	430,749	149,299
0035	Food Services	23,502	23,502	21,818	1,684
0036	Cocurricular/Extracurricular Activities	657,344	809,054	791,177	17,877
	Total Support Services - Student (Pupil)	<u>1,627,019</u>	<u>1,743,729</u>	<u>1,563,517</u>	<u>180,212</u>
Administrative Support Services:					
0041	General Administration	529,934	547,286	537,157	10,129
	Total Administrative Support Services	<u>529,934</u>	<u>547,286</u>	<u>537,157</u>	<u>10,129</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,321,917	1,313,080	1,249,325	63,755
0052	Security and Monitoring Services	9,500	38,185	31,434	6,751
0053	Data Processing Services	239,173	240,173	238,077	2,096
	Total Support Services - Nonstudent Based	<u>1,570,590</u>	<u>1,591,438</u>	<u>1,518,836</u>	<u>72,602</u>
Ancillary Services:					
0061	Community Services	85,562	79,662	69,506	10,156
	Total Ancillary Services	<u>85,562</u>	<u>79,662</u>	<u>69,506</u>	<u>10,156</u>
Debt Service:					
0071	Principal on Long-Term Debt	57,195	16,795	16,794	1
	Total Debt Service	<u>57,195</u>	<u>16,795</u>	<u>16,794</u>	<u>1</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	223,222	223,222	223,222	--
0099	Other Intergovernmental Charges	158,878	158,878	143,288	15,590
	Total Intergovernmental Charges	<u>382,100</u>	<u>382,100</u>	<u>366,510</u>	<u>15,590</u>
6030	Total Expenditures	<u>11,078,085</u>	<u>11,263,864</u>	<u>10,892,436</u>	<u>371,428</u>

BRADY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	16,945	14,775	202,831	188,056
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	2,000	13,477	11,477
7913	Proceeds from Capital Leases	61,195	57,195	50,383	(6,812)
7915	Transfers In	--	467,342	11,648	(455,694)
7949	Other Resources	--	2,000	23,770	21,770
8911	Transfers Out	--	(4,113,312)	(3,583,878)	529,434
7080	Total Other Financing Sources and (Uses)	61,195	(3,584,775)	(3,484,600)	100,175
1200	Net Change in Fund Balance	78,140	(3,570,000)	(3,281,769)	288,231
0100	Fund Balance - Beginning	5,581,059	5,581,059	5,581,060	1
3000	Fund Balance - Ending	\$ 5,659,199	\$ 2,011,059	\$ 2,299,291	\$ 288,232

The accompanying notes are an integral part of this statement.

*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, 2010

Data Control Codes	204 ESEA Title IV SDFSC	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	242 Summer Feeding Program	
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ (54,614)	\$ 48,346	\$ --
1240	Due from Other Governments	--	75,680	18,819	--
1410	Deferred Expenditures	--	--	1,509	--
1000	Total Assets	<u>\$ --</u>	<u>\$ 21,066</u>	<u>\$ 68,674</u>	<u>\$ --</u>
LIABILITIES:					
Current Liabilities:					
2160	Accrued Wages Payable	\$ --	\$ 19,237	\$ 8,514	\$ --
2200	Accrued Expenditures	--	1,829	160	--
2000	Total Liabilities	<u>--</u>	<u>21,066</u>	<u>8,674</u>	<u>--</u>
FUND BALANCES:					
Reserved Fund Balances:					
3450	Reserve for Food Service	--	--	60,000	--
3490	Other Reserves of Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>60,000</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ 21,066</u>	<u>\$ 68,674</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

243 Career and Tech Technical	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	266 ARRA of 2009 Title XIV State Fiscal Stabilization	271 Workforce Investment Act - Youth
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	4,252	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,252</u>	<u>\$ --</u>	<u>\$ --</u>
\$ --	\$ --	\$ 3,885	\$ --	\$ --
--	--	367	--	--
--	--	4,252	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,252</u>	<u>\$ --</u>	<u>\$ --</u>

BRADY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2010

Data Control Codes	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	313 IDEA-B Formula	314 IDEA-B Preschool	315 IDEA-B Discretionary
ASSETS:				
1110 Cash and Cash Equivalents	\$ (200)	\$ (18,702)	\$ (822)	\$ --
1240 Due from Other Governments	200	40,591	2,211	--
1410 Deferred Expenditures	--	--	--	--
1000 Total Assets	<u>\$ --</u>	<u>\$ 21,889</u>	<u>\$ 1,389</u>	<u>\$ --</u>
LIABILITIES:				
Current Liabilities:				
2160 Accrued Wages Payable	\$ --	\$ 19,982	\$ 1,268	\$ --
2200 Accrued Expenditures	--	1,907	121	--
2000 Total Liabilities	<u>--</u>	<u>21,889</u>	<u>1,389</u>	<u>--</u>
FUND BALANCES:				
Reserved Fund Balances:				
3450 Reserve for Food Service	--	--	--	--
3490 Other Reserves of Fund Balance	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ 21,889</u>	<u>\$ 1,389</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

364 IDEA - Part B Formula - ARRA	365 IDEA - Part B Preschool - ARRA	379 Medicaid Reimbursement Fund	392 Non-Educational Community-Based Support	401 Optional Extended Year Program
\$ (4,650) 12,608 -- <u>7,958</u>	\$ -- -- -- <u>--</u>	\$ 387,625 -- -- <u>387,625</u>	\$ -- -- -- <u>--</u>	\$ -- -- -- <u>--</u>
\$ 7,377 581 <u>7,958</u>	\$ -- -- -- <u>--</u>	\$ -- -- -- <u>--</u>	\$ -- -- -- <u>--</u>	\$ -- -- -- <u>--</u>
-- -- -- <u>7,958</u>	-- -- -- <u>--</u>	-- 387,625 387,625 <u>387,625</u>	-- -- -- <u>--</u>	-- -- -- <u>--</u>

BRADY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2010

Data Control Codes	404 Student Success Initiative	411 Technology Allotment
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ (1,169)	\$ 29,823
1240 <i>Due from Other Governments</i>	1,169	-
1410 <i>Deferred Expenditures</i>	--	--
1000 Total Assets	<u>\$ --</u>	<u>\$ 29,823</u>
LIABILITIES:		
Current Liabilities:		
2160 <i>Accrued Wages Payable</i>	\$ --	\$ --
2200 <i>Accrued Expenditures</i>	--	--
2000 Total Liabilities	<u>--</u>	<u>--</u>
FUND BALANCES:		
Reserved Fund Balances:		
3450 <i>Reserve for Food Service</i>	--	--
3490 <i>Other Reserves of Fund Balance</i>	--	29,823
3000 Total Fund Balances	<u>--</u>	<u>29,823</u>
4000 Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ 29,823</u>

The accompanying notes are an integral part of this statement.

426 Texas Educator Excellence Award Program	437 Special Education Coop	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ --	\$ 227,835	\$ 613,472
--	--	155,530
--	175	1,684
<u>\$ --</u>	<u>\$ 228,010</u>	<u>\$ 770,686</u>
\$ --	\$ 22,251	\$ 82,514
--	425	5,390
<u>--</u>	<u>22,676</u>	<u>87,904</u>
--	--	60,000
<u>--</u>	<u>205,334</u>	<u>622,782</u>
<u>--</u>	<u>205,334</u>	<u>682,782</u>
<u>\$ --</u>	<u>\$ 228,010</u>	<u>\$ 770,686</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, 2010

Data Control Codes	204 ESEA Title IV SDFSC	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	242 Summer Feeding Program
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ 150,171	\$ --
5800 State Program Revenues	--	--	3,642	--
5900 Federal Program Revenues	6,082	507,846	483,876	6,236
5020 Total Revenues	<u>6,082</u>	<u>507,846</u>	<u>637,689</u>	<u>6,236</u>
EXPENDITURES:				
Current:				
0011 Instruction	--	352,931	--	--
0013 Curriculum and Staff Development	--	43,875	--	--
0021 Instructional Leadership	--	--	--	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, & Evaluation Services	--	43,888	--	--
0032 Social Work Services	--	30,591	--	--
0034 Student Transportation	--	--	--	27
0035 Food Service	--	--	649,324	5,309
0041 General Administration	--	32,610	--	--
0051 Plant Maintenance and Operations	--	--	39,226	900
0052 Security and Monitoring Services	6,082	--	--	--
0053 Data Processing Services	--	--	--	--
0061 Community Services	--	3,951	--	--
0093 Payments to Shared Service Arrangements	--	--	--	--
6030 Total Expenditures	<u>6,082</u>	<u>507,846</u>	<u>688,550</u>	<u>6,236</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	(50,861)	--
1100 Expenditures	--	--	--	--
Other Financing Sources and (Uses):				
7915 Transfers In	--	--	13,878	--
8911 Transfers Out	--	--	--	--
7080 Total Other Financing Sources and (Uses)	--	--	<u>13,878</u>	--
1200 Net Change in Fund Balances	--	--	(36,983)	--
0100 Fund Balances - Beginning	--	--	96,983	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 60,000</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

243 Career and Tech Technical	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	266 ARRA of 2009 Title XIV State Fiscal Stabilization	271 Workforce Investment Act - Youth
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
2,844	19,965	96,477	404,986	--
<u>2,844</u>	<u>19,965</u>	<u>96,477</u>	<u>404,986</u>	<u>--</u>
2,408	17,233	76,933	374,101	--
--	2,732	19,544	--	--
--	--	--	--	--
436	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	30,885	--
--	--	--	--	--
<u>2,844</u>	<u>19,965</u>	<u>96,477</u>	<u>404,986</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	(1,216)
--	--	--	--	(1,216)
--	--	--	--	(1,216)
--	--	--	--	1,216
\$ --	\$ --	\$ --	\$ --	\$ --

BRADY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	313 IDEA-B Formula	314 IDEA-B Preschool	315 IDEA-B Discretionary
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800 State Program Revenues	--	--	--	--
5900 Federal Program Revenues	117,126	638,028	24,161	87,924
5020 Total Revenues	<u>117,126</u>	<u>638,028</u>	<u>24,161</u>	<u>87,924</u>
EXPENDITURES:				
Current:				
0011 Instruction	64,639	462,677	15,762	87,924
0013 Curriculum and Staff Development	12,195	--	--	--
0021 Instructional Leadership	--	--	--	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, & Evaluation Services	--	92,180	8,399	--
0032 Social Work Services	--	--	--	--
0034 Student Transportation	--	--	--	--
0035 Food Service	--	--	--	--
0041 General Administration	--	--	--	--
0051 Plant Maintenance and Operations	--	--	--	--
0052 Security and Monitoring Services	--	--	--	--
0053 Data Processing Services	40,292	--	--	--
0061 Community Services	--	1,504	--	--
0093 Payments to Shared Service Arrangements	--	81,667	--	--
6030 Total Expenditures	<u>117,126</u>	<u>638,028</u>	<u>24,161</u>	<u>87,924</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	--	--
Other Financing Sources and (Uses):				
7915 Transfers In	--	--	--	--
8911 Transfers Out	--	--	--	--
7080 Total Other Financing Sources and (Uses)	--	--	--	--
1200 Net Change in Fund Balances	--	--	--	--
0100 Fund Balances - Beginning	--	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

364 IDEA - Part B Formula - ARRA	365 IDEA - Part B Preschool - ARRA	379 Medicaid Reimbursement Fund	392 Non-Educational Community-Based Support	401 Optional Extended Year Program
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	3,000	2,141
155,421	854	230,823	--	--
<u>155,421</u>	<u>854</u>	<u>230,823</u>	<u>3,000</u>	<u>2,141</u>
153,609	854	--	--	2,141
--	--	--	--	--
1,812	--	42,953	--	--
--	--	--	--	--
--	--	--	3,000	--
--	--	--	--	--
--	--	18,316	--	--
--	--	--	--	--
--	--	--	--	--
<u>155,421</u>	<u>854</u>	<u>61,269</u>	<u>3,000</u>	<u>2,141</u>
--	--	169,554	--	--
--	--	--	--	--
--	--	--	--	--
--	--	169,554	--	--
--	--	218,071	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 387,625</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, 2010

Data Control Codes	404 Student Success Initiative	411 Technology Allotment
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --
5800 <i>State Program Revenues</i>	16,223	34,807
5900 <i>Federal Program Revenues</i>	--	--
5020 Total Revenues	<u>16,223</u>	<u>34,807</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	14,151	10,640
0013 <i>Curriculum and Staff Development</i>	--	--
0021 <i>Instructional Leadership</i>	--	--
0023 <i>School Leadership</i>	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--
0032 <i>Social Work Services</i>	--	--
0034 <i>Student Transportation</i>	2,072	--
0035 <i>Food Service</i>	--	--
0041 <i>General Administration</i>	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--
0052 <i>Security and Monitoring Services</i>	--	--
0053 <i>Data Processing Services</i>	--	--
0061 <i>Community Services</i>	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--
6030 Total Expenditures	<u>16,223</u>	<u>10,640</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>--</u>	<u>24,167</u>
Other Financing Sources and (Uses):		
7915 <i>Transfers In</i>	--	--
8911 <i>Transfers Out</i>	--	--
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>--</u>	<u>24,167</u>
0100 Fund Balances - Beginning	<u>--</u>	<u>5,656</u>
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 29,823</u>

The accompanying notes are an integral part of this statement.

426 Texas Educator Excellence Award Program	437 Special Education Coop	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ 267,074	\$ 417,245
--	223,222	283,035
--	--	2,782,649
<u> </u>	<u> </u>	<u> </u>
--	490,296	3,482,929
9,310	154,391	1,799,704
--	--	78,346
--	109,485	152,438
--	--	1,812
8,681	247,972	401,556
--	--	33,591
--	--	2,099
--	--	654,633
--	3,800	36,410
--	4,259	62,701
--	--	6,082
--	8,961	49,253
--	--	36,340
--	--	81,667
<u> </u>	<u> </u>	<u> </u>
17,991	528,868	3,396,632
<u> </u>	<u> </u>	<u> </u>
(17,991)	(38,572)	86,297
--	--	13,878
<u> </u>	<u> </u>	<u> </u>
(10,431)	--	(11,647)
<u> </u>	<u> </u>	<u> </u>
(10,431)	--	2,231
<u> </u>	<u> </u>	<u> </u>
(28,422)	(38,572)	88,528
<u> </u>	<u> </u>	<u> </u>
28,422	243,906	594,254
<u> </u>	<u> </u>	<u> </u>
\$ --	\$ 205,334	\$ 682,782

BRADY INDEPENDENT SCHOOL DISTRICT

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT H-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 10,000	\$ 6,643	\$ (3,357)
5020 Total Revenues	<u>10,000</u>	<u>6,643</u>	<u>(3,357)</u>
EXPENDITURES:			
Capital Outlay:			
0081 Capital Outlay	5,819,614	5,139,404	680,210
Total Capital Outlay	<u>5,819,614</u>	<u>5,139,404</u>	<u>680,210</u>
6030 Total Expenditures	<u>5,819,614</u>	<u>5,139,404</u>	<u>680,210</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(5,809,614)</u>	<u>(5,132,761)</u>	<u>676,853</u>
Other Financing Sources (Uses):			
7915 Transfers In	3,570,000	3,570,000	--
7080 Total Other Financing Sources and (Uses)	<u>3,570,000</u>	<u>3,570,000</u>	<u>--</u>
1200 Net Change in Fund Balance	<u>(2,239,614)</u>	<u>(1,562,761)</u>	<u>676,853</u>
0100 Fund Balance - Beginning	1,627,602	1,627,602	--
3000 Fund Balance - Ending	<u>\$ (612,012)</u>	<u>\$ 64,841</u>	<u>\$ 676,853</u>

The accompanying notes are an integral part of this statement.

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, 2010

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2001 and Prior Years	\$	Various	\$	Various	\$	Various
2002		1.48		.18		181,983,120
2003		1.48		.18		192,244,063
2004		1.50		.156		211,796,120
2005		1.50		.156		218,399,603
2006		1.50		.157		259,101,260
2007		1.35		.157		243,357,817
2008		1.04		.4652		269,421,910
2009		1.04		.4652		298,114,920
2010 (School Year Under Audit)		1.04		.3275		324,555,400

1000 Totals

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

10 Beginning Balance 9/1/09	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/10
\$ 97,786	\$ --	\$ 12,259	\$ 1,919	\$ 1,122	\$ 84,730
22,393	--	9,753	1,186	(328)	11,127
21,594	--	7,384	898	(469)	12,844
25,873	--	9,393	966	(31)	15,483
28,913	--	7,576	783	(140)	20,414
34,875	--	10,553	1,105	(359)	22,859
40,000	--	13,562	1,554	(36)	24,848
87,914	--	22,528	10,165	(687)	54,534
169,905	--	49,392	22,258	(3,402)	94,853
--	4,263,046	3,095,756	1,012,156	(21,421)	133,713
<u>\$ 529,254</u>	<u>\$ 4,263,046</u>	<u>\$ 3,238,156</u>	<u>\$ 1,052,990</u>	<u>\$ (25,750)</u>	<u>\$ 475,404</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

BRADY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2011-2012
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT J-2

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 137,862	\$ 278,158	\$ --	\$ 21,753	\$ 437,773
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	40,395	--	--	--	--	--	40,395
6212	Audit Services	--	--	--	15,000	--	--	15,000
6213	Tax Appraisal and Collection	--	143,288	--	--	--	--	143,288
621X	Other Prof. Services	350	--	--	2,499	--	--	2,849
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	--	--	--	--
6240	Contr. Maint. and Repair	--	--	--	--	6,051	--	6,051
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	--	6,056	--	6,056
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	1,290	7,427	--	--	8,717
6410	Travel, Subsistence, Stipends	6,272	--	2,986	6,347	--	--	15,605
6420	Ins. and Bonding Costs	--	--	175	5,721	--	--	5,896
6430	Election Costs	--	--	--	--	--	--	--
6490	Miscellaneous Operating	154	--	5,151	29,920	--	--	35,225
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 47,171 \$ 143,288 \$ 147,464 \$ 345,072 \$ 12,107 \$ 21,753 \$ 716,855

Total Expenditures for General and Special Revenue Funds (9) \$ 14,289,068

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 304,486
Total Debt & Lease (6500)	(11)	\$ 16,794
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,292,026
Food (Function 35, 6341 and 6499)	(13)	\$ 241,673
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 345,072

Subtotal 2,200,051

Net Allowed Direct Cost \$ 12,089,017

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 345,839,558
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)	3,407,989
Historical Cost of Furniture & Equipment over 16 years old	(19)	--
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 69,843

(8) Note A - No Function 53 expenditures and \$143,288 in Function 99 expenditures are included in this report on administrative costs.

BRADY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2010

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2010 (Exhibit C-1 object 3000 for the General Fund only)	\$ 2,299,291
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	--
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	--
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
5	Estimate of one month's average cash disbursements during the regular school session (9/1/10 - 5/31/11)	1,319,560
6	Estimate of delayed payments from state sources (58XX) including August payment delays	680,000
7	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	--
8	Estimate of delayed payments from federal sources (59XX)	90,000
9	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)	--
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	2,089,560
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ 209,731

If Item 11 is a Positive Number

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

The fund balance is being retained to help cushion future enrollment fluctuations.

BRADY INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 164,794	\$ 150,171	\$ (14,623)
5800 <i>State Program Revenues</i>	5,555	3,642	(1,913)
5900 <i>Federal Program Revenues</i>	429,850	483,876	54,026
5020 Total Revenues	<u>600,199</u>	<u>637,689</u>	<u>37,490</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	671,846	649,324	22,522
Total Support Services - Student (Pupil)	<u>671,846</u>	<u>649,324</u>	<u>22,522</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	46,493	39,226	7,267
Total Support Services - Nonstudent Based	<u>46,493</u>	<u>39,226</u>	<u>7,267</u>
6030 Total Expenditures	<u>718,339</u>	<u>688,550</u>	<u>29,789</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(118,140)</u>	<u>(50,861)</u>	<u>67,279</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	78,140	13,878	(64,262)
7080 Total Other Financing Sources and (Uses)	<u>78,140</u>	<u>13,878</u>	<u>(64,262)</u>
1200 Net Change in Fund Balance	<u>(40,000)</u>	<u>(36,983)</u>	<u>3,017</u>
0100 Fund Balance - Beginning	98,199	96,983	(1,216)
3000 Fund Balance - Ending	<u>\$ 58,199</u>	<u>\$ 60,000</u>	<u>\$ 1,801</u>

The accompanying notes are an integral part of this statement.

BRADY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 1,070,256	\$ 1,103,604	\$ 33,348
5800 State Program Revenues	476,720	481,353	4,633
5020 Total Revenues	<u>1,546,976</u>	<u>1,584,957</u>	<u>37,981</u>
EXPENDITURES:			
Debt Service:			
0071 Principal on Long-Term Debt	635,000	635,000	--
0072 Interest on Long-Term Debt	906,976	906,777	199
0073 Bond Issuance Costs and Fees	5,000	3,800	1,200
Total Debt Service	<u>1,546,976</u>	<u>1,545,577</u>	<u>1,399</u>
6030 Total Expenditures	<u>1,546,976</u>	<u>1,545,577</u>	<u>1,399</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	39,380	39,380
1200 Net Change in Fund Balance	--	39,380	39,380
0100 Fund Balance - Beginning	496,055	855,359	359,304
3000 Fund Balance - Ending	<u>\$ 496,055</u>	<u>\$ 894,739</u>	<u>\$ 398,684</u>

The accompanying notes are an integral part of this statement.

Burl D. Lowery
Certified Public Accountant
311 Center Ave.
Brownwood, Texas 76801

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

Members of the Board of Trustees:

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brady Independent School District as of and for the year ended August 31, 2010, which collectively comprise the Brady Independent School District's basic financial statements and have issued my report thereon dated October 15, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

October 15, 2010

Burl D. Lowery
Certified Public Accountant
311 Center Ave.
Brownwood, Texas 76801

Independent Auditor's Report

Report on Compliance with Requirements Applicable
To each Major Program and on Internal Control over Compliance
In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

Compliance

I have audited the compliance of Brady Independent School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. Brady Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Brady Independent School District's management. My responsibility is to express an opinion on Brady Independent School District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Brady Independent School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Brady Independent School District's compliance with those requirements.

In my opinion, Brady Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2010.

Internal Control Over Compliance

Management of Brady Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Brady Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Brady Independent School District's internal control over compliance.

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

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

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

Respectfully submitted,



Burl D. Lowery
Certified Public Accountant

October 15, 2010

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2010

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	School Lunch Program
10.555	Commodity Supplemental Food
10.559	Summer Food Program
83.494	Title XIV State Fiscal Stabilization Fund
84.010a	ESEA Title 1 Part A
84.389	ARRA Esea Title 1 Part A
84.027	IDEA- B Formula
84.173	IDEA-B Preschool
84.391	ARRA IDEA-B Formula
84.392	ARRA - IDEA-B Preschool

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, 2010

<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, 2010

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, 2010

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 Statement Concho Valley Partnership:			
<i>Career and Technical - Technical Preparation</i>	84.243a	CONTRACT 1	\$ 2,844
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	10610101160901	475,620
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	11610101160901	32,226
Total CFDA Number 84.010a			507,846
<i>SSA IDEA-B Formula *</i>	84.027	106000116090166	616,139
<i>SSA IDEA-B Formula *</i>	84.027	116600011609016600	21,889
<i>SSA IDEA-B Discretionary *</i>	84.027	106600021609016677	87,924
Total CFDA Number 84.027			725,952
<i>Career and Technical - Basic Grant</i>	84.048	10420006160901	19,965
<i>SSA IDEA-B Preschool *</i>	84.173	106610011609016610	22,772
<i>SSA IDEA-B Preschool *</i>	84.173	116610011609016610	1,389
Total CFDA Number 84.173			24,161
<i>ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act</i>	84.186a	10691001160901	6,082
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	10694501160901	92,225
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	11694501160901	4,252
Total CFDA Number 84.367a			96,477
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389	10551001160901	117,126
<i>ARRA - SSA IDEA-Part B Formula *</i>	84.391	10554001160901	155,421
<i>ARRA - SSA IDEA Part B, Preschool *</i>	84.392	10555001160901	854
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394	10557001160901	404,986
Total Passed Through State Department of Education			2,058,870
Total U. S. Department of Education			2,061,714
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401001	162,494
National School Lunch Program *	10.555	71301001	299,644
Commodity Supplemental Food (Non-cash) *	10.555	71301001	21,738
Total CFDA Number 10.555			321,382
Summer Food Service Program *	10.559	71301001	6,236
Total Passed Through State Department of Education			490,112
Total U. S. Department of Agriculture			490,112
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,551,826

* 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, 2010

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	\$ 81,667

BRADY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2010

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