

GRAHAM  
INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2010*

*Introductory Section*

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

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

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CERTIFICATE OF BOARD

Graham Independent School District  
Name of School District

Young  
County

252901  
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 \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
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*



**Birdwell, Quinn & Co., P.C.**  
Certified Public Accountants

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P.O. Drawer 427  
Jacksboro, Texas 76458  
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Allen R. Birdwell  
Douglas H. Quinn  
Kenneth R. Savell  
Tami Buckmaster

**Independent Auditor's Report on Financial Statements**

Board of Trustees  
Graham Independent School District  
400 Third Street  
Graham, Texas 76450

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Graham 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 Graham Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Graham 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*, we have also issued our report dated January 20, 2011, on our consideration of Graham Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Graham Independent School District's financial statements as a whole. The TEA required schedules 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 TEA required schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Fund Balance and Cash Flow Calculation Worksheet, which is labeled UNAUDITED has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

Signature on File

Birdwell, Quinn & Co., P.C.

January 20, 2011



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Graham 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 \$26,233,403 and \$26,051,596 at August 31, 2010 and 2009, respectively.
- During the year, the District's expenses were \$181,807 less than the \$24,928,439 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased approximately \$2.8 million from last year. The largest increase \$1.3 million was in instruction costs.

The general fund reported a fund balance this year of \$4,774,775.

### 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.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-1, Required Components of the  
Graham Independent School District's  
Annual Financial Report**

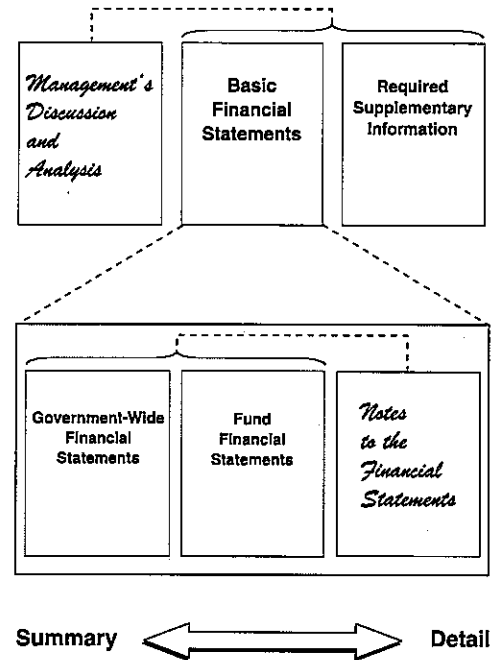


Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	* Statement of net assets	* Balance sheet	* Statement of net assets	* Statement of fiduciary net assets
	* Statement of activities	* Statement of revenues, expenditures & changes in fund balances	* Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**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 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 is 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.
- *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 exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Net assets:

The District's combined net assets were \$26,233,403 and \$26,051,596 at August 31, 2010 and 2009, respectively. (See Table A-1).

**Table A-1**  
Graham Independent School District's Net Assets  
(In thousands of dollars)

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 6,265	\$ 11,568
Investments	9	6
Property taxes receivable (net)	380	370
Due from other governments	1,037	738
Other receivables	39	19
Capitalized bonds and other debt issue costs	274	287
Total current assets:	<u>8,004</u>	<u>12,988</u>
<b>Noncurrent assets:</b>		
Land	736	736
Construction in progress	0	27,998
Buildings	70,722	36,440
Less accumulated depreciation	16,779	14,955
Furniture and equipment	4,375	4,134
Less accumulated depreciation	3,357	3,065
Total noncurrent assets	<u>55,697</u>	<u>51,288</u>
Total assets	<u>63,701</u>	<u>64,276</u>
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	1,567	1,364
Deferred revenue	66	32
Total current liabilities	<u>1,633</u>	<u>1,396</u>
<b>Long-term liabilities:</b>		
Bonds and notes payable	35,835	36,828
Total liabilities	<u>37,468</u>	<u>38,224</u>
<b>Net assets:</b>		
Invested in capital assets (net)	19,862	15,593
Restricted for debt service	624	726
Restricted for capital projects (net)	317	5,361
Unrestricted	5,430	4,372
Total net assets	<u>\$ 26,233</u>	<u>\$ 26,052</u>

The \$5.4 million of unrestricted net asset represents resources available to fund the programs of the District next year.

**Changes in net assets:**

The District's total revenues were \$24.9 million. A significant portion, 34 percent, of the District's revenue comes from taxes, 63 percent comes from state aid – formula and grants, while only 2 percent relates to charges for services.

The total cost of all programs and services was \$25 million; 76 percent of these costs are for instructional and student services.

**Governmental Activities**

- Property tax rates remained the same as the prior year; however, the property values decreased creating a decrease in property tax revenue of approximately \$66 thousand.

**Table A-2**  
Changes in Graham Independent School District's Net Assets  
(in thousands of dollars)

	Governmental Activities		Total Change
	<u>2010</u>	<u>2009</u>	<u>2010-2009</u>
Program revenues:			
Charges for services	\$ 483	\$ 459	\$ 24
Operating grants and contributions	4,020	3,675	345
General revenues:			
Property taxes	8,412	8,478	(66)
State aid – formula/miscellaneous state receipts	11,629	10,190	1,439
Investment earnings	298	839	(541)
Miscellaneous	86	198	(112)
Total revenues	<u>24,928</u>	<u>23,839</u>	<u>1,089</u>
Instruction	13,983	12,626	1,357
Instructional resources and media services	282	266	16
Curriculum and staff development	177	263	(86)
Instructional leadership	191	197	(6)
School leadership	1,022	919	103
Guidance, counseling and evaluation services	622	588	34
Health services	103	96	7
Student transportation	506	442	64
Food services	1,070	950	120
Curricular/extracurricular activities	874	801	73
General administration	770	687	83
Plant maintenance & operations	2,320	1,901	419
Security and monitoring services	6	3	3
Data processing services	415	151	264
Community Services	2	2	0
Debt service	1,641	1,846	(205)
Capital Outlay	524	-	524
Other intergovernmental charges	238	240	(2)
Total expenses	<u>24,746</u>	<u>21,978</u>	<u>2,768</u>
Increase (decrease) in net assets	\$ <u>182</u>	\$ <u>1,861</u>	\$ <u>(1,679)</u>

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$25 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$8.4 million
- Some of the cost was paid by those who directly benefited from the programs, approximately \$483 thousand, or
- By grants and state aid \$15.6 million.

**Table A-3**  
Net Cost of Selected District Functions  
(in thousands of dollars)

	Total Cost of Services			Change	Net Cost of Services			Change
	2010	2009			2010	2009		
Instruction	\$ 13,983	\$ 12,626	\$ 1,357	\$ 11,606	\$ 10,532	\$ 1,074		
School leadership	1,022	919	103	1,020	813	207		
Plant maintenance & operations	2,320	1,901	419	2,304	1,813	491		
Food Service	1,069	950	119	103	83	20		

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$24.9 million, an increase of 1% over the preceding year. The small decrease in local revenues is a result of income tax revenue and decreased investment income. The increase in state revenues and federal revenues is due to the normal cycle of grants and entitlements, and stimulus grants.

#### General Fund Budgetary Highlights

Over the course of the year, the District revised its general fund budget several times. With these adjustments, actual expenditures were \$164 thousand below final budget amounts. The most significant positive variances resulted from student transportation, and plant maintenance and operations.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2010, the District had invested \$76 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$4.4 million.

**Table A-4**  
Graham Independent School District's Capital Assets  
(In thousands of dollars)

	Governmental Activities		Total Change 2010-2009
	2010	2009	
Land	\$ 736	\$ 736	\$ 0
Building and improvements	70,722	36,440	34,282
Equipment	2,050	2,050	0
Vehicles	2,325	2,085	240
Construction in progress	0	27,998	(27,998)
Totals at historical cost	<u>75,833</u>	<u>69,309</u>	<u>6,524</u>
Total accumulated depreciation	<u>20,136</u>	<u>18,021</u>	<u>2,115</u>
Net capital assets	\$ <u>55,697</u>	\$ <u>51,288</u>	\$ <u>4,409</u>

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 \$35.8 million in bonds and notes payable as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

**Table A-5**  
 Graham Independent School District's Long Term Debt  
 (In thousands of dollars)

	Governmental Activities		Total Change
	2010	2009	2010-2009
Bonds payable	\$ 35,835	\$ 36,811	\$ (976)
Notes payable	0	17	(17)
Total debt payables	\$ 35,835	\$ 36,828	\$ (993)

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Appraised value used for the 2011 budget preparation is up \$34 million from 2010.
- The District's 2011 refined average daily attendance is expected to be 2,300 students.

These indicators were taken into account when adopting the general fund budget for 2011. Amounts available for appropriation in the general fund budget are \$17.6 million, an increase of 3.0 percent over the final 2010 budget of \$17.1 million.

Expenditures are budgeted to increase nearly 2.9 percent to 17.6 million. The largest increment is increased teacher salaries and additional employees. However, overall the budget expenditures will remain constant.

If these estimates are realized, the District's budgetary general fund fund balance is not expected to change appreciably by the close of 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 at 400 Third Street, Graham, Texas.

*Basic Financial Statements*

**GRAHAM INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF NET ASSETS

AUGUST 31, 2010

Data Control Codes		1
		Governmental Activities
	<b>ASSETS:</b>	
1110	Cash and Cash Equivalents	\$ 6,264,592
1120	Current Investments	9,176
1225	Property Taxes Receivable (Net)	380,431
1240	Due from Other Governments	1,036,654
1250	Accrued Interest	34,514
1267	Due from Fiduciary	4,000
1420	Capitalized Bond and Other Debt Issuance Costs	274,404
	Capital Assets:	
1510	Land	736,218
1520	Buildings and Improvements, Net	53,942,813
1530	Furniture and Equipment, Net	1,018,075
1000	Total Assets	<u>63,700,877</u>
	<b>LIABILITIES:</b>	
2110	Accounts Payable	160,118
2140	Interest Payable	70,873
2165	Accrued Liabilities	1,335,533
2300	Unearned Revenue	65,950
	Noncurrent Liabilities:	
2501	Due Within One Year	970,000
2502	Due in More Than One Year	34,865,000
2000	Total Liabilities	<u>37,467,474</u>
	<b>NET ASSETS</b>	
3200	Invested in Capital Assets, Net of Related Debt	19,862,106
	Restricted For:	
3850	Debt Service	624,188
3860	Capital Projects	317,198
3900	Unrestricted	5,429,911
3000	Total Net Assets	<u>\$ 26,253,403</u>

The accompanying notes are an integral part of this statement.



## GRAHAM INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	
	<b>Governmental Activities:</b>				
11	<i>Instruction</i>	\$ 13,983,374	\$ 15,855	\$ 2,361,171	\$ (11,606,348)
12	<i>Instructional Resources and Media Services</i>	282,237	-	95	(282,142)
13	<i>Curriculum and Staff Development</i>	177,168	-	60,736	(116,432)
21	<i>Instructional Leadership</i>	190,929	-	61,703	(129,226)
23	<i>School Leadership</i>	1,022,388	-	2,563	(1,019,825)
31	<i>Guidance, Counseling, &amp; Evaluation Services</i>	622,628	-	266,791	(355,837)
33	<i>Health Services</i>	102,728	-	-	(102,728)
34	<i>Student Transportation</i>	505,882	-	18,289	(487,593)
35	<i>Food Service</i>	1,069,576	324,149	642,130	(103,297)
36	<i>Cocurricular/Extracurricular Activities</i>	874,122	142,427	195	(731,500)
41	<i>General Administration</i>	770,707	-	24,072	(746,635)
51	<i>Plant Maintenance and Operations</i>	2,319,835	172	16,100	(2,303,563)
52	<i>Security and Monitoring Services</i>	5,594	-	-	(5,594)
53	<i>Data Processing Services</i>	414,871	-	-	(414,871)
61	<i>Community Services</i>	2,212	-	2,212	-
72	<i>Interest on Long-term Debt</i>	1,627,033	-	564,312	(1,062,721)
73	<i>Bond Issuance Costs and Fees</i>	13,469	-	-	(13,469)
81	<i>Capital Outlay</i>	523,509	-	-	(523,509)
99	<i>Other Intergovernmental Charges</i>	238,370	-	-	(238,370)
TG	Total Governmental Activities	<u>24,746,632</u>	<u>482,603</u>	<u>4,020,369</u>	<u>(20,243,660)</u>
TP	Total Primary Government	<u>\$ 24,746,632</u>	<u>\$ 482,603</u>	<u>\$ 4,020,369</u>	<u>(20,243,660)</u>
	<b>General Revenues:</b>				
MT	<i>Property Taxes, Levied for General Purposes</i>				6,418,902
DT	<i>Property Taxes, Levied for Debt Service</i>				1,993,015
IE	<i>Investment Earnings</i>				297,999
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				11,629,192
MI	<i>Miscellaneous</i>				86,359
TR	Total General Revenues				<u>20,425,467</u>
CN	Change in Net Assets				<u>181,807</u>
NB	Net Assets - Beginning				26,051,596
NE	Net Assets - Ending				<u>\$ 26,233,403</u>

The accompanying notes are an integral part of this statement.

**GRAHAM INDEPENDENT SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2010

Data Control Codes	10 General Fund	50 Debt Service Fund
<b>ASSETS:</b>		
1110 Cash and Cash Equivalents	\$ 5,271,752	\$ 290,112
1120 Current Investments	4,309	-
1225 Taxes Receivable, Net	326,450	53,981
1240 Due from Other Governments	671,132	-
1250 Accrued Interest	-	-
1260 Due from Other Funds	274,690	-
4000 Total Assets	<u>\$ 6,548,333</u>	<u>\$ 344,093</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 Accounts Payable	\$ 160,118	\$ -
2150 Payroll Deductions & Withholdings	515,624	-
2160 Accrued Wages Payable	567,878	-
2170 Due to Other Funds	-	-
2200 Accrued Expenditures	141,092	-
2300 Unearned Revenue	388,846	53,981
2000 Total Liabilities	<u>1,773,558</u>	<u>53,981</u>
<b>FUND BALANCES:</b>		
Reserved Fund Balances:		
3420 Debt Service	-	290,112
3470 Capital Acquisitions & Contractual Obligations	-	-
3490 Other Reserves of Fund Balance	-	-
Designated Fund Balance:		
3510 Construction	3,000,000	-
3530 Capital Expenditures for Equipment	100,000	-
3600 Unreserved	1,674,775	-
Unreserved, Reported in Nonmajor:		
3610 Special Revenue Funds	-	-
3000 Total Fund Balances	<u>4,774,775</u>	<u>290,112</u>
4000 Total Liabilities and Fund Balances	<u>\$ 6,548,333</u>	<u>\$ 344,093</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 283,212	\$ 419,516	\$ 6,264,592
-	4,867	9,176
-	-	380,431
-	365,522	1,036,654
33,986	528	34,514
-	-	274,690
<u>\$ 317,198</u>	<u>\$ 790,433</u>	<u>\$ 8,000,057</u>
\$ -	\$ -	\$ 160,118
-	-	515,624
-	110,939	678,817
-	270,690	270,690
-	-	141,092
-	3,554	446,381
<u>-</u>	<u>385,183</u>	<u>2,212,722</u>
-	-	290,112
317,198	-	317,198
-	17,712	17,712
-	-	3,000,000
-	-	100,000
-	-	1,674,775
<u>-</u>	<u>387,538</u>	<u>387,538</u>
<u>317,198</u>	<u>405,250</u>	<u>5,787,335</u>
<u>\$ 317,198</u>	<u>\$ 790,433</u>	<u>\$ 8,000,057</u>

**GRAHAM 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	\$ 5,787,335
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	55,697,106
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	380,431
Payables for bond principal which are not due in the current period are not reported in the funds.	(35,835,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(70,873)
Loan issuance costs are capitalized in the SNA	<u>274,404</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 26,233,403</u>

The accompanying notes are an integral part of this statement.

**GRAHAM 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
<b>REVENUES:</b>		
5700 <i>Local and Intermediate Sources</i>	\$ 6,801,207	\$ 1,980,930
5800 <i>State Program Revenues</i>	11,629,411	564,312
5900 <i>Federal Program Revenues</i>	-	-
5020 <b>Total Revenues</b>	<u>18,430,618</u>	<u>2,545,242</u>
<b>EXPENDITURES:</b>		
Current:		
0011 <i>Instruction</i>	10,388,387	-
0012 <i>Instructional Resources and Media Services</i>	255,705	-
0013 <i>Curriculum and Staff Development</i>	105,263	-
0021 <i>Instructional Leadership</i>	122,579	-
0023 <i>School Leadership</i>	924,059	-
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	323,736	-
0033 <i>Health Services</i>	93,106	-
0034 <i>Student Transportation</i>	546,787	-
0035 <i>Food Service</i>	-	-
0036 <i>Cocurricular/Extracurricular Activities</i>	792,244	-
0041 <i>General Administration</i>	674,444	-
0051 <i>Plant Maintenance and Operations</i>	2,091,640	-
0052 <i>Security and Monitoring Services</i>	5,070	-
0053 <i>Data Processing Services</i>	376,011	-
0061 <i>Community Services</i>	-	-
0071 <i>Principal on Long-term Debt</i>	11,269	307,218
0072 <i>Interest on Long-term Debt</i>	128	2,302,204
0073 <i>Bond Issuance Costs and Fees</i>	-	1,044
0081 <i>Capital Outlay</i>	664,389	-
0099 <i>Other Intergovernmental Charges</i>	238,370	-
6030 <b>Total Expenditures</b>	<u>17,613,187</u>	<u>2,610,466</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>		
1100 <b>Expenditures</b>	<u>817,431</u>	<u>(65,224)</u>
Other Financing Sources and (Uses):		
7915 <i>Transfers In</i>	-	-
8911 <i>Transfers Out</i>	(2,942)	-
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>(2,942)</u>	<u>-</u>
1200 <b>Net Change in Fund Balances</b>	<u>814,489</u>	<u>(65,224)</u>
0100 <b>Fund Balances - Beginning</b>	<u>3,960,286</u>	<u>355,336</u>
3000 <b>Fund Balances - Ending</b>	<u>\$ 4,774,775</u>	<u>\$ 290,112</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 161,874	\$ 324,318	\$ 9,268,329
-	349,057	12,542,780
-	3,106,781	3,106,781
<u>161,874</u>	<u>3,780,156</u>	<u>24,917,890</u>
-	2,285,181	12,673,568
-	95	255,800
-	55,310	160,573
-	50,466	173,045
-	2,563	926,622
-	240,571	564,307
-	-	93,106
-	123,268	670,055
-	969,390	969,390
-	-	792,244
-	24,072	698,516
-	12,258	2,103,898
-	-	5,070
-	-	376,011
-	2,212	2,212
-	-	318,487
-	-	2,302,332
-	-	1,044
6,148,370	128	6,812,887
-	-	238,370
<u>6,148,370</u>	<u>3,765,514</u>	<u>30,137,537</u>
<u>(5,986,496)</u>	<u>14,642</u>	<u>(5,219,647)</u>
-	2,942	2,942
-	-	(2,942)
-	2,942	-
<u>(5,986,496)</u>	<u>17,584</u>	<u>(5,219,647)</u>
6,303,694	387,666	11,006,982
<u>\$ 317,198</u>	<u>\$ 405,250</u>	<u>\$ 5,787,335</u>

**GRAHAM 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	\$ (5,219,647)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	6,524,301
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,114,757)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	10,549
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	318,487
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(12,425)
(Increase) decrease in accrued interest from beginning of period to end of period.	<u>675,299</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 181,807</u>

The accompanying notes are an integral part of this statement.

**GRAHAM INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

AUGUST 31, 2010

Data Control Codes		Agency Funds
	<b>ASSETS:</b>	
1110	<i>Cash and Cash Equivalents</i>	\$ 157,681
1120	<i>Current Investments</i>	3,026
1000	Total Assets	<u>\$ 160,707</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2170	<i>Due to Other Funds</i>	\$ 4,000
2190	<i>Due to Student Groups</i>	156,707
2000	Total Liabilities	<u>160,707</u>
	<b>NET ASSETS</b>	
3000	Total Net Assets	<u>\$</u>

The accompanying notes are an integral part of this statement.



**GRAHAM 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 Graham 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.

Capital Projects Fund: This fund accounts for all the revenues and expenditures associated with the District's construction projects.

Debt Service Fund: This fund accounts for all the revenues and expenditures associated with the acquisition and payment of debt and, for the assets allocated to repayment of outstanding debt.

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

In addition, the District reports the following fund types:

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

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

b. Measurement Focus, Basis of Accounting

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

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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. Cash

The district pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet operating requirements.

b. 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

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.

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at actual cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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

d. 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>
Buildings	40
Building Improvements	7-40
Vehicles	7
Office Equipment	7
Computer Equipment	3-5

e. Receivable and Payable Balances

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

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

f. Unearned Revenue

Unearned revenues at the fund level arise when potential revenue does not meet the available criterion for recognition in the current period. Available is defined as due (or past due) at August 31, and collected within 60 days thereafter to pay obligations due at August 31. Unearned revenues also arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet, and revenue is recognized. Unearned revenues at the government-wide level arise only when the District receives resources before it has a legal claim to them.

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

g. 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.

h. Use of Estimates

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

The amount of state foundation revenue a school district earns for a year may vary until the time when final values for all factors in the state aid formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate for the year ended August 31, 2010 will change.

i. 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.

j. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of related debt.

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

k. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future uses of financial resources that are subject to change.

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

In the Government-wide statements, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "Invested in capital assets, net of related debt".

I. Compensated Absences

All vacation pay is accrued when incurred in government-wide, proprietary, and fiduciary fund financial statements. A liability for compensated absences is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. At August 31, 2010, the District had no liability for compensated absences.

B. Compliance and Accountability

1. The Board of Trustees adopts an "appropriated budget" for the General Fund, Capital Projects Fund, Debt Service Fund, and the Food Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1, the Capital Projects Fund Budget report appears in Exhibit H-1, and the other reports are in Exhibits J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

- a. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
- d. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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

2. Finance-Related Legal and Contractual Provisions

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

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

3. 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 \$1,616,712 and the bank balance was \$2,188,411. 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.

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

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

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Public Funds Investment Pools	N/A	\$ 4,647,880

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:

Public Funds Investment Pools:	
Texas Term	AAAM
Lone Star	AAAF

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.

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

Investment Accounting Policy

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Accounts Receivable

Receivable balances have been reported separately by type in the financial statements. Only receivables with allowances for uncollectible accounts have been presented below. Management estimates the property tax receivable allowance to be 30% of outstanding property taxes at August 31, 2010 based on prior year experience.

	General Fund	Debt Service Fund	Total
Gross Receivable	\$ 466,356	\$ 77,116	\$ 543,472
Less: Allowance for Uncollectible	139,906	23,135	163,041
Net Receivable	<u>\$ 326,450</u>	<u>\$ 53,981</u>	<u>\$ 380,431</u>



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

**E. Capital Assets**

Capital asset activity for the year ended August 31, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 736,218	\$ -	\$ -	\$ 736,218
Construction in progress	27,998,159	6,148,370	34,146,529	-
Total capital assets not being depreciated	<u>28,734,377</u>	<u>6,148,370</u>	<u>34,146,529</u>	<u>736,218</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	36,440,295	34,281,537	-	70,721,832
Equipment	2,050,039	-	-	2,050,039
Vehicles	2,084,336	240,923	-	2,325,259
Total capital assets being depreciated	<u>40,574,670</u>	<u>34,522,460</u>	<u>-</u>	<u>75,097,130</u>
Less accumulated depreciation for:				
Buildings and improvements	14,955,657	1,823,362	-	16,779,019
Equipment	1,658,562	102,839	-	1,761,401
Vehicles	1,407,266	188,556	-	1,595,822
Total accumulated depreciation	<u>18,021,485</u>	<u>2,114,757</u>	<u>-</u>	<u>20,136,242</u>
Total capital assets being depreciated, net	<u>22,553,185</u>	<u>32,407,703</u>	<u>-</u>	<u>54,960,888</u>
Governmental activities capital assets, net	<u>\$ 51,287,562</u>	<u>\$ 38,556,073</u>	<u>\$ 34,146,529</u>	<u>\$ 55,697,106</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,309,806
Instructional Resources and Media Services	26,437
Curriculum and Staff Development	16,595
Instructional Leadership	17,884
School Leadership	95,766
Guidance, Counseling, & Evaluation Services	58,321
Health Services	9,622
Student Transportation	69,250
Food Service	100,186
Co-curricular / Extracurricular Activities	81,878
General Administration	72,191
Plant Maintenance and Operations	217,437
Security and Monitoring Services	524
Data Processing Services	38,860
Total	<u>\$ 2,114,757</u>

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

F. 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:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 270,690	Short-term loans
	Other Balances	4,000	
	Total	<u>\$ 274,690</u>	

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

2. Transfers To and From Other Funds

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

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Other Governmental Funds	\$ 2,942	Supplement other funds sources
	Total	<u>\$ 2,942</u>	

G. Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal period, the various components of unearned revenue reported in the governmental funds were as follows:

General:		
Uncollected Property Taxes Less Amount for Doubtful Accounts	\$	326,450
Miscellaneous		62,396
Debt Service Fund:		
Uncollected Property Taxes Less Amount for Doubtful Accounts		53,981
Other Governmental Funds:		
Miscellaneous		3,554
Total	\$	<u>446,381</u>

H. Workers' Compensation Coverage

The District and several other Texas school districts established a self-insurance plan for workers' compensation benefits as authorized by section 504.011 of the Labor Code. Hibbs-Hallmark & Company Claims Administrative Services acts as the third party administrator of the West Texas Education Insurance Association. Claims are paid by the third party administrator acting on behalf of the District under the terms of the contractual agreement. Administrative fees are included within the provisions of that agreement. According to state statute, the District is protected against unanticipated catastrophic claims and aggregate loss by coverage carried through Safety National Casualty Corporation, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Coverage was in effect for specific occurrences exceeding \$225,000 and aggregate occurrences in excess of \$5,000,000.

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

As of August 31, 2010, the workers' compensation benefit obligation was \$115,676 of which \$85,536 was estimated claims incurred but not reported. These amounts represent estimated ultimate costs to settle claims. A summary of changes in the benefit obligation is as follows:

Balance at September 1, 2009		\$	61,057
Incurred claims:			
Provision for insured events for 2009-10	\$	81,807	
Increase in provision for insured events for prior years		<u>21,962</u>	
Total incurred claims			103,769
Payments:			
Claims attributable to insured events for 2009-10	\$	10,937	
Claims attributable to insured events for prior years		<u>38,213</u>	
Total payments			<u>49,150</u>
Balance at August 31, 2010		\$	<u><u>115,676</u></u>

**I. Long-Term Obligations**

**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
<u>Governmental activities:</u>					
General obligation bonds	\$ 36,811,138	\$ -	\$ 976,138	\$ 35,835,000	\$ 970,000
Notes	17,028	-	17,028	-	-
Total governmental activities	<u>\$ 36,828,166</u>	<u>\$ -</u>	<u>\$ 993,166</u>	<u>\$ 35,835,000</u>	<u>\$ 970,000</u>

Description	Interest Rate	Amounts Original Issue
Schoolhouse Bonds - Series 1998	4.50% to 6.00%	\$ 1,300,000
Unlimited Tax School Building Bonds Series 2002	3.30% to 4.80%	\$ 6,900,000
Unlimited Tax School Building Bond Series 2007	3.95% to 4.70%	\$ 30,000,000

Interest incurred on long-term debt for the year ended August 31, 2010 was as follows:

Government Wide Financial Statements	Fund Financial Statements
\$ 1,627,033	\$ 2,302,332

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

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 970,000	\$ 1,592,018	\$ 2,562,018
2012	1,010,000	1,550,309	2,560,309
2013	1,055,000	1,507,383	2,562,383
2014	1,070,000	1,463,766	2,533,766
2015	1,115,000	1,418,717	2,533,717
2016-2020	6,210,000	6,342,799	12,552,799
2021-2025	8,100,000	4,779,184	12,879,184
2026-2030	10,950,000	2,596,685	13,546,685
2031-2035	5,355,000	255,328	5,610,328
Totals	<u>\$ 35,835,000</u>	<u>\$ 21,506,189</u>	<u>\$ 57,341,189</u>

J. Local and Intermediate Revenue

During the current year, local and intermediate revenues reported in the fund financial statements consisted of the following:

Revenue Description	General Fund	Capital Projects	Other Governmental Funds	Debt Service	Total
Property Taxes	\$ 6,343,914	\$ -	\$ -	\$ 1,958,710	\$ 8,302,624
Penalties, Interest and Other					
Tax -Related Income	80,029	-	-	18,716	98,745
Investment Income	33,020	161,874	169	3,504	198,567
Food Sales	-	-	324,149	-	324,149
Cocurricular Student Activities	180,359	-	-	-	180,359
Other	163,885	-	-	-	163,885
Total	<u>\$ 6,801,207</u>	<u>\$ 161,874</u>	<u>\$ 324,318</u>	<u>\$ 1,980,930</u>	<u>\$ 9,268,329</u>

K. 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.

L. 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.

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

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 6.58% 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 \$786,819, \$735,974 and \$711,135, 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 \$108,629, \$92,917 and \$86,756, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$802,221 for the year ended August 31, 2010.

M. Retiree Health Care Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at [www.trs.state.tx.us](http://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 \$31,959, \$27,377, and \$25,666, respectively, the active member contributions were \$79,913, \$74,749, and \$72,224, respectively, and the District's contributions were \$67,619, \$63,249, and \$61,114, 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, 2008, the subsidy payments received by TRS-Care on behalf of the District were \$31,959, \$27,377, and \$25,666 respectively.

N. Employee Health Care Coverage

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the Plan). The District contributed \$250 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to Teacher Retirement System (TRS), acting on behalf of the group funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. Under the Plan, all risks and costs are not shared by the members but are the liability of the State of Texas. Claims are paid by a third-party administrator, appointed by TRS, acting on behalf of the group-funded pool.

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

O. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2010.

P. Due From Other Governments

The District participates in a variety of federal and state programs for which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2010 are reported on the financial statements as Due from Other Governments and are summarized below:

Fund	State Entitlements	Federal Grants	Total
General	\$ 671,132	\$ -	\$ 671,132
Other Governmental Funds	-	365,522	365,522
Total	<u>\$ 671,132</u>	<u>\$ 365,522</u>	<u>\$ 1,036,654</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.

**GRAHAM 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	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
<b>REVENUES:</b>							
5700	Local and Intermediate Sources	\$ 6,567,800	\$ 6,612,442	\$ 6,801,207	\$ 188,765		
5800	State Program Revenues	10,656,331	10,690,685	11,629,411	938,726		
5020	Total Revenues	17,224,131	17,303,127	18,430,618	1,127,491		
<b>EXPENDITURES:</b>							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	10,351,294	10,346,947	10,388,387	(41,440)		
0012	Instructional Resources and Media Services	272,897	272,897	255,705	17,192		
0013	Curriculum and Staff Development	128,969	128,969	105,253	23,706		
	Total Instruction & Instr. Related Services	10,753,160	10,748,813	10,749,355	(542)		
Instructional and School Leadership:							
0021	Instructional Leadership	127,781	127,781	122,579	5,202		
0023	School Leadership	892,959	892,959	924,059	(31,100)		
	Total Instructional & School Leadership	1,020,740	1,020,740	1,046,638	(25,898)		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	334,448	334,448	323,736	10,712		
0033	Health Services	98,495	98,495	93,106	5,389		
0034	Student (Pupil) Transportation	612,540	612,540	546,787	65,753		
0036	Cocurricular/Extracurricular Activities	772,276	810,038	792,244	17,794		
	Total Support Services - Student (Pupil)	1,817,759	1,855,521	1,755,873	99,648		
Administrative Support Services:							
0041	General Administration	678,662	678,662	674,444	4,218		
	Total Administrative Support Services	678,662	678,662	674,444	4,218		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	2,152,173	2,152,173	2,091,640	60,533		
0052	Security and Monitoring Services	7,950	7,950	5,070	2,880		
0053	Data Processing Services	140,026	381,160	376,011	5,149		
	Total Support Services - Nonstudent Based	2,300,149	2,541,283	2,472,721	68,562		
Debt Service:							
0071	Principal on Long-Term Debt	17,156	17,156	11,269	5,887		
0072	Interest on Long-Term Debt	128	128	128	-		
	Total Debt Service	17,284	17,284	11,397	5,887		
Capital Outlay:							
0081	Capital Outlay	365,000	664,458	664,389	69		
	Total Capital Outlay	365,000	664,458	664,389	69		
0099	Other Intergovernmental Charges	250,560	250,560	238,370	12,190		
	Total Intergovernmental Charges	250,560	250,560	238,370	12,190		
6030	Total Expenditures	17,203,314	17,777,321	17,613,187	164,134		
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	20,817	(474,194)	817,431	1,291,625		
Other Financing Sources (Uses):							



**GRAHAM 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		
7915	Transfers In	187,650	187,650		(187,650)
8911	Transfers Out	(208,467)	(208,467)	(2,942)	205,525
7080	Total Other Financing Sources and (Uses)	(20,817)	(20,817)	(2,942)	17,875
1200	Net Change in Fund Balance	-	(495,011)	814,489	1,309,500
0100	Fund Balance - Beginning	3,960,286	3,960,286	3,960,286	-
3000	Fund Balance - Ending	\$ 3,960,286	\$ 3,465,275	\$ 4,774,775	\$ 1,309,500

**GRAHAM INDEPENDENT SCHOOL DISTRICT**

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT H-1

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 40,000	\$ 40,000	\$ 161,874	\$ 121,874
5020	Total Revenues	40,000	40,000	161,874	121,874
<b>EXPENDITURES:</b>					
Capital Outlay:					
0081	Capital Outlay	6,752,435	6,752,435	6,148,370	604,065
	Total Capital Outlay	6,752,435	6,752,435	6,148,370	604,065
6030	Total Expenditures	6,752,435	6,752,435	6,148,370	604,065
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(6,712,435)	(6,712,435)	(5,986,496)	725,939
1200	Net Change in Fund Balance	(6,712,435)	(6,712,435)	(5,986,496)	725,939
0100	Fund Balance - Beginning	6,303,694	6,303,694	6,303,694	-
3000	Fund Balance - Ending	\$ (408,741)	\$ (408,741)	\$ 317,198	\$ 725,939

### *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.

**GRAHAM INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

Year Ended August 31	1 Tax Rates		2	3 Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service		
2001 and Prior Years	\$ Various	\$ Various		\$ Various
2002	1.457	.01585		369,166,100
2003	1.457	.08		371,585,817
2004	1.457	.071		383,525,982
2005	1.40	.06939		440,668,236
2006	1.43	.07		487,110,127
2007	1.308	.064		568,513,450
2008	1.0314	.322		601,405,998
2009	1.04	.3105		657,215,690
2010 (School Year Under Audit)	1.04	.3105		646,078,200

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
\$ 142,599	\$ -	\$ 7,107	\$ 18	\$ (26,523)	\$ 108,951
12,742	-	557	7	(130)	12,048
14,245	-	1,281	55	(127)	12,782
16,178	-	2,935	130	(127)	12,986
41,994	-	2,009	86	(121)	39,778
55,833	-	26,518	1,329	(382)	27,604
49,812	-	10,739	552	(14,111)	24,410
49,860	-	11,410	3,790	(759)	33,901
145,082	-	55,088	16,926	(6,382)	66,686
-	8,384,221	6,226,270	1,935,817	(17,808)	204,326
<u>\$ 528,345</u>	<u>\$ 8,384,221</u>	<u>\$ 6,343,914</u>	<u>\$ 1,958,710</u>	<u>\$ (66,470)</u>	<u>\$ 543,472</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**GRAHAM INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-2**

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

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 237,367	\$ 288,414	\$ -	\$ -	\$ 525,781
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	7,353	-	-	-	-	-	7,353
6212	Audit Services	-	-	-	15,750	-	-	15,750
6213	Tax Appraisal and Collection	-	276,689	-	-	-	-	276,689
621X	Other Prof. Services	-	-	-	53,249	24,072	-	77,321
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	1,200	-	-	1,200
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	9,690	-	-	9,690
6290	Miscellaneous Contr.	-	-	-	7,387	-	573	7,960
6310	Operational Supplies, Materials	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	905	113	-	-	1,018
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	137	-	1,852	-	19,396	-	21,385
6410	Travel, Subsistence, Stipends	14,611	-	8,760	-	9,822	-	33,193
6420	Ins. and Bonding Costs	-	-	-	7,190	-	-	7,190
6430	Election Costs	2,714	-	-	-	-	-	2,714
6490	Miscellaneous Operating	3,476	-	5,861	13,936	4,421	-	27,694
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-

Total \$ 28,291 \$ 276,689 \$ 254,745 \$ 396,929 \$ 57,711 \$ 573 \$ 1,014,938

Total Expenditures for General and Special Revenue Funds (9) \$ 21,378,573

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 902,752
Total Debt & Lease (6500)	(11)	\$ 11,397
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 2,098,958
Food (Function 35, 6341 and 6499)	(13)	\$ 431,963
Stipends (6413)	(14)	\$ -
Column 4 (above) - Total Indirect Cost		\$ 396,929

Subtotal 3,841,999

Net Allowed Direct Cost \$ 17,536,574

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 70,721,831
Historical Cost of Buildings over 50 years old	(16)	3,709,137
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	4,375,301
Historical Cost of Furniture & Equipment over 16 years old	(19)	1,081,501
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) Note A - \$78,052 in Function 53 expenditures and \$238,370 in Function 99 expenditures are included in this report on administrative costs.

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

EXHIBIT J-3

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)	\$ <u>4,774,775</u>
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	<u>-</u>
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	<u>3,100,000</u>
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>-</u>
5	Estimate of one month's average cash disbursements during the regular school session (9/1/10 - 5/31/11)	<u>1,700,000</u>
6	Estimate of delayed payments from state sources (58XX) including August payment delays	<u>-</u>
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	<u>-</u>
8	Estimate of delayed payments from federal sources (59XX)	<u>-</u>
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)	<u>-</u>
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	<u>4,800,000</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ <u><u>(25,225)</u></u>

If Item 11 is a Positive Number

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

**GRAHAM 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	Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual	
	Original	Final	Original	Final		
<b>REVENUES:</b>						
5700	<i>Local and Intermediate Sources</i>	\$ 372,000	\$ 375,676	\$ 324,318	\$ (51,358)	
5800	<i>State Program Revenues</i>	27,428	28,025	14,955	(13,670)	
5900	<i>Federal Program Revenues</i>	525,000	520,727	627,775	107,048	
5020	Total Revenues	<u>924,428</u>	<u>924,428</u>	<u>966,448</u>	<u>42,020</u>	
<b>EXPENDITURES:</b>						
Current:						
Support Services - Student (Pupil):						
0035	<i>Food Services</i>	945,245	945,245	969,390	(24,145)	
	Total Support Services - Student (Pupil)	<u>945,245</u>	<u>945,245</u>	<u>969,390</u>	<u>(24,145)</u>	
6030	Total Expenditures	<u>945,245</u>	<u>945,245</u>	<u>969,390</u>	<u>(24,145)</u>	
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures	(20,817)	(20,817)	(2,942)	17,875	
Other Financing Sources (Uses):						
7915	<i>Transfers In</i>	20,817	20,817	2,942	(17,875)	
7080	Total Other Financing Sources and (Uses)	<u>20,817</u>	<u>20,817</u>	<u>2,942</u>	<u>(17,875)</u>	
0100	Fund Balance - Beginning	-	-	-	-	
3000	Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -	



**GRAHAM 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	Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual	
	Original	Final				
<b>REVENUES:</b>						
5700	Local and Intermediate Sources	\$ 2,078,722	\$ 2,078,722	\$ 1,980,930	\$ (97,792)	
5800	State Program Revenues	532,000	532,000	564,312	32,312	
5020	Total Revenues	<u>2,610,722</u>	<u>2,610,722</u>	<u>2,545,242</u>	<u>(65,480)</u>	
<b>EXPENDITURES:</b>						
Debt Service:						
0071	Principal on Long-Term Debt	307,218	400,568	307,218	93,350	
0072	Interest on Long-Term Debt	2,302,204	2,208,854	2,302,204	(93,350)	
0073	Bond Issuance Costs and Fees	1,300	1,300	1,044	256	
	Total Debt Service	<u>2,610,722</u>	<u>2,610,722</u>	<u>2,610,466</u>	<u>256</u>	
6030	Total Expenditures	<u>2,610,722</u>	<u>2,610,722</u>	<u>2,610,466</u>	<u>256</u>	
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures	-	-	(65,224)	(65,224)	
1200	Net Change in Fund Balance	-	-	(65,224)	(65,224)	
0100	Fund Balance - Beginning	355,336	355,336	355,336	-	
3000	Fund Balance - Ending	<u>\$ 355,336</u>	<u>\$ 355,336</u>	<u>\$ 290,112</u>	<u>\$ (65,224)</u>	



**Birdwell, Quinn & Co., P.C.**  
Certified Public Accountants

104 N. Church Street  
P.O. Drawer 427  
Jacksboro, Texas 76458  
Phone: (940) 567-2652  
Fax: (940) 567-2675

Allen R. Birdwell  
Douglas H. Quinn  
Kenneth R. Savell  
Tami Buckmaster

**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  
Graham Independent School District  
400 Third Street  
Graham, Texas 76450

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Graham Independent School District as of and for the year ended August 31, 2010, which collectively comprise the Graham Independent School District's basic financial statements and have issued our report thereon dated January 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

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,

Signature on File

Birdwell, Quinn & Co., P.C.

January 20, 2011



**Birdwell, Quinn & Co., P.C.**  
Certified Public Accountants

104 N. Church Street  
P.O. Drawer 427  
Jacksboro, Texas 76458  
Phone: (940) 567-2652  
Fax: (940) 567-2675

Allen R. Birdwell  
Douglas H. Quinn  
Kenneth R. Savell  
Tami Buckmaster

**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  
Graham Independent School District  
400 Third Street  
Graham, Texas 76450

Members of the Board of Trustees:

Compliance

We have audited the compliance of Graham 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. Graham 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 Graham Independent School District's management. Our responsibility is to express an opinion on Graham Independent School District's compliance based on our audit.

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

In our opinion, Graham 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 Graham 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 our audit, we considered Graham 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Graham 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.

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

Signature on File

Birdwell, Quinn & Co., P.C.

January 20, 2011

**GRAHAM 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  No  
 One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?  Yes  No  
 One or more significant deficiencies identified that are not considered to be material weaknesses?  Yes  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  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	ESEA, Title I, Part A - Improving Basic Programs
84.389	ARRA ESEA, Title I, Part A - Improving Basic Programs
84.027A	IDEA-B, Formula
84.391	ARRA IDEA-B, Formula
84.173A	IDEA-B, Preschool
84.392	ARRA IDEA-B, Preschool
84.394	ARRA of 2009 Title XIV State Fiscal Stabilization Fund

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

Auditee qualified as low-risk auditee?  Yes  No

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**GRAHAM 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>
Not Applicable		

**GRAHAM INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2010*

Not Applicable

Contact Person: Don Davis, Director of Finance  
400 Third Street  
Graham, Texas 76458  
(940)-549-0595



**GRAHAM 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
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through Texas Commission on Alcohol and Drug Abuse: <i>ESEA Title IV - Part A - Safe &amp; Drug-Free Schools &amp; Community Act</i>	84.186a	1431011	\$ 15,000
Passed Through State Department of Education: <i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	10610101252901	496,886
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	10610101252901	29,452
Total CFDA Number 84.010a			<u>526,338</u>
<i>IDEA-B Formula *</i>	84.027a	106600012529016600	605,741
<i>IDEA-B Formula *</i>	84.027a	106600012529016600	28,736
Total CFDA Number 84.027a			<u>634,477</u>
<i>Career and Technical - Basic Grant</i>	84.048	10420006252901	30,381
<i>IDEA-B Preschool *</i>	84.173a	106610012529016610	12,660
<i>IDEA-B Preschool *</i>	84.173a	106610012529016610	740
Total CFDA Number 84.173a			<u>13,400</u>
<i>ESEA Title IV Part A-Safe &amp; Drug-Free Schools &amp; Communities Act</i>	84.186a	10691001252901	9,072
<i>Title II Part D Enhancing Education Through Technology *</i>	84.318	10630001252901	4,759
<i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358	10696001252901	61,691
<i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358	10696001252901	1,859
Total CFDA Number 84.358			<u>63,550</u>
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365a	10671001252901	19,174
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365a	10671001252901	614
Total CFDA Number 84.365a			<u>19,788</u>
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruitment</i>	84.367a	10694501252901	117,028
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367a	10694501252901	7,021
Total CFDA Number 84.367a			<u>124,049</u>
<i>Summer School LEP</i>	84.369a	69550902	1,026
<i>ARRA - Title II Part D Subpart 1-Enhancing Education Through Tech. *</i>	84.386	10553001252901	9,178
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389	10551001252901	172,592
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389	10551001252901	1,738
Total CFDA Number 84.389			<u>174,330</u>
<i>ARRA - IDEA-Part B Formula *</i>	84.391	10554001252901	103,344
<i>ARRA - IDEA-Part B Formula *</i>	84.391	10554001252901	2,773
Total CFDA Number 84.391			<u>106,117</u>
<i>ARRA - IDEA Part B, Preschool *</i>	84.392	10555001252901	11,174
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394	10557001252901	736,367
Total Passed Through State Department of Education			<u>2,464,006</u>
Total U. S. Department of Education			<u>\$ 2,479,006</u>

**GRAHAM 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
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
Food Distribution	10.550	252901	\$ 40,725
School Breakfast Program *	10.553	252901	122,865
National School Lunch Program *	10.555	252901	464,185
Total Passed Through State Department of Education			<u>627,775</u>
Total U. S. Department of Agriculture			<u>627,775</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,106,781</u>

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

The accompanying notes are an integral part of this schedule.

**GRAHAM INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*FOR THE YEAR ENDED AUGUST 31, 2010*

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Graham 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.

**GRAHAM 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?	\$ N/A