

**LYFORD CONSOLIDATED INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2010

LYFORD CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2010

TABLE OF CONTENTS

| <u>Exhibit</u> | <u>Page</u> |
|--|-------------|
| CERTIFICATE OF BOARD | 3 |
| Independent Auditors' Report | 5-6 |
| Management's Discussion and Analysis | 7-11 |
| <u>Basic Financial Statements</u> | |
| Government Wide Statements: | |
| A-1 Statement of Net Assets | 15 |
| B-1 Statement of Activities | 16 |
| Governmental Fund Financial Statements: | |
| C-1 Balance Sheet | 17 |
| C-2 Reconciliation for C-1 | 18 |
| C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance | 19 |
| C-4 Reconciliation for C-3 | 20 |
| C-5 Budgetary Comparison Schedule - General Fund | 21 |
| Fiduciary Fund Financial Statements: | |
| E-1 Statement of Fiduciary Net Assets | 22 |
| Notes to the Financial Statements | 23-37 |
| | |
| <u>Required TEA Schedules</u> | |
| J-1 Schedule of Delinquent Taxes | 40-41 |
| J-2 Schedule of Expenditures for Computation of Indirect Cost | 42 |
| J-3 Fund Balance and Cash Flow Calculation Worksheet | 43 |
| J-4 Budgetary Comparison Schedule - Child Nutrition Fund | 44 |
| J-5 Budgetary Comparison Schedule - Debt Service Fund | 45 |
| | |
| <u>Reports on Compliance, Internal Control, and Federal Awards</u> | |
| Report on Internal Control Over Financial Reporting and Compliance Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 49-50 |
| Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 | 51-52 |
| Schedule of Findings and Questioned Costs | 53 |
| K-1 Schedule of Expenditures of Federal Awards | 54 |
| Notes to Schedule of Expenditures of Federal Awards | 55 |

CERTIFICATE OF BOARD

Lyford Consolidated Independent School District Willacy 245902
Name of School District County 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 special meeting of the Board of Trustees of such school district on the 20th day of January, 2011.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is(are):
(attach list as necessary)

**UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND
OTHER SUPPLEMENTARY INFORMATION INCLUDING THE
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditor's Report

Board of Trustees
Lyford Consolidated Independent School District
P O Box 220
Lyford, Texas 78569

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lyford Consolidated Independent School District (the 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 the District's administrators. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 the Lyford Consolidated Independent School District as of August 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof 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 10, 2011, on our consideration of the Lyford Consolidated 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.

The management's discussion and analysis on pages 7 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lyford Consolidated Independent School District's basic financial statements. The accompanying supplementary information, such as the TEA required schedules is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Exhibit J-3 (Cash Flow and Optimum Fund Balance Calculation Schedule) which is marked UNAUDITED has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Buffo & Berkman
Certified Public Accountants

January 10, 2011

LYFORD CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 31, 2010

Our discussion and analysis of Lyford Consolidated Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ending August 31, 2010. Please read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The assets exceeded its liabilities at the close of the most recent fiscal year by \$9,935,206 (*net assets*). Of this amount, \$3,769,829 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- During the year, the District's expenses exceeded revenues by \$87,980. This compares to last year when revenues exceeded expenses by \$10,203.
- The District's total net assets decreased by \$87,980, or approximately 1%, as a result of this year's operations.
- The District's expenditures for the fiscal year represent a decrease of about \$61,067 over the previous year. This decrease was due to a decrease in local funds.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$3,744,470, and a decrease of \$77,583 in comparison with prior year. \$1,356,311 is available for spending at the District's discretion (*unreserved fund balance*) .

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities Exhibits A-1 and B-1.

These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements Exhibit C-1 and C-3 report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations are in Exhibit A-1 and B-1. Its primary purpose is to show whether the District is better-off or worse-off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Assets and the Statement of Activities, the District has one kind of activity:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin with Exhibit C-1 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

- Governmental funds—The District's reports most of its basic services in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on Exhibit E-1. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

Net assets of the District's governmental activities decreased from \$9,898,894 to \$9,935,206. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations and construction was \$3,769,829 at August 31, 2010.

This increase in governmental net assets was the result of five factors. First, the District's expenditures exceeded the revenues by about \$77,583. Second, the District recognition of depreciation decreased the net assets by \$454,678. Third, the District's net assets were decreased by miscellaneous reclassifications of \$19,401. Fourth, the District increased its net assets by \$463,682 and fifth, prior period adjustment of \$125,093. This was a result of capital outlay, and long-term debt principal payments.

Table I
Lyford Consolidated Independent School District
NET ASSETS

Governmental Activities

| | 2010 | 2009 |
|---|-------------------|-------------------|
| Current and other assets | 5,251,553 | 4,842,625 |
| Capital assets | <u>14,712,396</u> | <u>15,082,347</u> |
| Total assets | <u>19,963,949</u> | <u>19,924,972</u> |
| Long-term liabilities | 9,142,828 | 9,256,287 |
| Other liabilities | <u>885,915</u> | <u>770,592</u> |
| Total liabilities | <u>10,028,743</u> | <u>10,026,879</u> |
| Net Assets: | | |
| Invested in capital assets, net of related debt | 5,724,119 | 5,859,733 |
| Restricted | 441,258 | 485,197 |
| Unrestricted | <u>3,769,829</u> | <u>3,553,164</u> |
| Total Net Assets | <u>9,935,206</u> | <u>9,898,094</u> |

Table II
Lyford Consolidated Independent School District

CHANGES IN NET ASSETS

Governmental Activities

REVENUES:

| | 2010 | 2009 |
|--|-------------------|-------------------|
| Program Revenues: | | |
| Charges for Services | 294,033 | 321,105 |
| Operating Grants and Contributions | 5,269,127 | 4,204,708 |
| General Revenues: | | |
| Maintenance and Operations Taxes | 1,780,484 | 2,045,143 |
| Debt Service Taxes | 278,707 | 317,289 |
| State Aid Formula Grants | 8,526,952 | 9,682,575 |
| Grants, Contributions not restricted to specific Functions | 628,847 | 402,569 |
| Investment Earnings | 11,411 | 39,156 |
| Miscellaneous | <u>234,129</u> | <u>189,649</u> |
| Total Revenue | <u>17,023,690</u> | <u>17,202,194</u> |

EXPENSES:

| | | |
|---|-----------------------|-------------------|
| Instruction, curriculum and media services | 9,524,173 | 9,018,209 |
| Instructional/school leadership | 710,350 | 746,556 |
| Guidance, social work, health, transportation | 1,087,017 | 1,096,944 |
| Food Services | 1,167,268 | 1,176,575 |
| Cocurricular activities | 835,815 | 759,667 |
| General administration | 812,694 | 788,779 |
| Plant Maintenance and Security | 2,077,907 | 2,296,744 |
| Data Processing | 156,681 | 286,716 |
| Community Services | 169,847 | 221,356 |
| Debt Service | 510,867 | 513,831 |
| Facilities Acquisition and Construction | | 32,500 |
| Payments related to shared service arrangements | 49,969 | |
| Payment to fiscal agent/member districts | 9,082 | 60,334 |
| Total Expenses | <u>17,111,670</u> | <u>16,998,211</u> |
| Increase in Net Assets | <u><87,920></u> | <u>203,983</u> |
| Net Assets at 9/1/09 | <u>10,023,126</u> | <u>9,694,113</u> |
| Net Assets at 08/31/10 | <u>9,935,206</u> | <u>9,898,096</u> |

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a combined fund balance of approximately \$3,744,470, which is less than last year's total of \$3,822,055. Included in this year's total change in fund balance are a decrease of 148,853 in the District's revenues and a decrease of \$61,067 in expenditures. The primary reasons for the General Fund's loss mirror the governmental analysis financial highlights mentioned at the beginning of this report.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments to transfer funds among functions. The second category was to purchase capital outlay and construction projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010 the District had approximately \$14,712,396 (net of accumulated depreciation) invested in a broad range of capital assets, including land, instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance building equipment.

This year's major additions included:

| | | |
|-----|----------|----------|
| Bus | | \$84,747 |
| | Totaling | \$84,747 |

Debt

At year-end, the District had approximately \$9,339,997 in bonds payable versus approximately \$9,809,997 last year. The District's general obligation bond rating has been the highest possible, a rating that has been assigned by national rating agencies.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget and tax rates. The District's enrollment and ADA has slightly increased since last year, and the district has maintained the same staff level for the 2010 school year in order to balance the budget. District administrative staff is continuing to monitor the enrollment and state aid formulas to ensure that there are sufficient resources for the fiscal year. The M&O tax rate is at \$1.17 which is the maximum allowed by law with a rollback tax election.

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 show 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 Administrative Office, at Lyford Consolidated Independent School District, P.O. Drawer 220, Lyford, TX 78569.

BASIC FINANCIAL STATEMENTS

Lyford Consolidated Independent School District
STATEMENT OF NET ASSETS
AUGUST 31, 2010

| Data Control Codes | Primary Government |
|--|----------------------------|
| | Governmental Activities |
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 1,447,054 |
| 1120 Current Investments | 2,287,917 |
| 1220 Property Taxes Receivable (Delinquent) | 777,384 |
| 1230 Allowance for Uncollectible Taxes | (256,844) |
| 1240 Due from Other Governments | 779,496 |
| 1250 Accrued Interest | 1,106 |
| 1410 Deferred Expenses | 98,055 |
| 1420 Capitalized Bond and Other Debt Issuance Costs | 117,385 |
| Capital Assets: | |
| 1510 Land | 62,778 |
| 1520 Buildings, Net | 14,207,930 |
| 1530 Furniture and Equipment, Net | 441,688 |
| 1000 Total Assets | 19,963,949 |
| LIABILITIES | |
| 2110 Accounts Payable | 54,798 |
| 2140 Interest Payable | 16,759 |
| 2150 Payroll Deductions & Withholdings | (19,251) |
| 2160 Accrued Wages Payable | 424,494 |
| 2180 Due to Other Governments | 294,243 |
| 2200 Accrued Expenses | 32,274 |
| 2300 Deferred Revenues | 82,598 |
| Noncurrent Liabilities | |
| 2501 Due Within One Year | 480,000 |
| 2502 Due in More Than One Year | 8,662,828 |
| 2000 Total Liabilities | 10,028,743 |
| NET ASSETS | |
| 3200 Invested in Capital Assets, Net of Related Debt | 5,724,119 |
| 3820 Restricted for Federal and State Programs | 278,312 |
| 3850 Restricted for Debt Service | 162,946 |
| 3900 Unrestricted Net Assets | 3,769,829 |
| 3000 Total Net Assets | \$ 9,935,206 |

The notes to the financial statements are an integral part of this statement.

Lyford Consolidated Independent School District
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT B-1

| Data | Program Revenues | | | Net (Expense) |
|--|--|-------------|---------------|----------------|
| Control | 1 | 3 | 4 | Revenue and |
| Codes | Expenses | Charges for | Operating | Changes in Net |
| | | Services | Grants and | Assets |
| | | | Contributions | Primary Gov. |
| | | | | Governmental |
| | | | | Activities |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| 11 Instruction | \$ 9,086,019 | \$ 9,550 | \$ 3,485,046 | \$ (5,591,423) |
| 12 Instructional Resources and Media Services | 267,954 | - | 78,117 | (189,837) |
| 13 Curriculum and Staff Development | 170,200 | - | 91,045 | (79,155) |
| 21 Instructional Leadership | 66,806 | - | 14,201 | (52,605) |
| 23 School Leadership | 643,544 | - | 23,564 | (619,980) |
| 31 Guidance, Counseling and Evaluation Services | 320,086 | - | 159,432 | (160,654) |
| 32 Social Work Services | 6,566 | - | 7,124 | 558 |
| 33 Health Services | 147,410 | - | 6,974 | (140,436) |
| 34 Student (Pupil) Transportation | 612,955 | - | 103,605 | (509,350) |
| 35 Food Services | 1,167,268 | 212,053 | 1,056,731 | 101,516 |
| 36 Extracurricular Activities | 835,815 | 35,818 | 19,894 | (780,103) |
| 41 General Administration | 812,694 | - | 21,254 | (791,440) |
| 51 Plant Maintenance and Operations | 1,928,729 | 36,612 | 37,114 | (1,855,003) |
| 52 Security and Monitoring Services | 149,178 | - | 12,062 | (137,116) |
| 53 Data Processing Services | 156,681 | - | 16,054 | (140,627) |
| 61 Community Services | 169,847 | - | 136,910 | (32,937) |
| 72 Debt Service - Interest on Long Term Debt | 503,159 | - | - | (503,159) |
| 73 Debt Service - Bond Issuance Cost and Fees | 7,708 | - | - | (7,708) |
| 93 Payments related to Shared Services Arrangements | 49,969 | - | - | (49,969) |
| 95 Payments to Juvenile Justice Alternative Ed. Prg. | 9,082 | - | - | (9,082) |
| [TP] TOTAL PRIMARY GOVERNMENT: | \$ 17,111,670 | \$ 294,033 | \$ 5,269,127 | (11,548,510) |
| | | | | |
| Data | | | | |
| Control | | | | |
| Codes | General Revenues: | | | |
| | Taxes: | | | |
| MT | Property Taxes, Levied for General Purposes | | | 1,780,484 |
| DT | Property Taxes, Levied for Debt Service | | | 278,707 |
| SF | State Aid - Formula Grants | | | 8,526,952 |
| GC | Grants and Contributions not Restricted | | | 628,847 |
| IE | Investment Earnings | | | 11,411 |
| MI | Miscellaneous Local and Intermediate Revenue | | | 234,129 |
| TR | Total General Revenues | | | 11,460,530 |
| CN | Change in Net Assets | | | (87,980) |
| NB | Net Assets--Beginning | | | 9,898,095 |
| PA | Prior Period Adjustment | | | 125,093 |
| NE | Net Assets--Ending | | | \$ 9,935,208 |

The notes to the financial statements are an integral part of this statement.

Lyford Consolidated Independent School District
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2010

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Funds | Total Governmental Funds | |
|--------------------------------------|---|----------------------------|-------------------|--------------------------------|---------------------|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ 1,517,093 | \$ 88,112 | \$ (158,151) | \$ 1,447,054 |
| 1120 | Investments - Current | 2,287,917 | - | - | 2,287,917 |
| 1220 | Property Taxes - Delinquent | 722,591 | 54,793 | - | 777,384 |
| 1230 | Allowance for Uncollectible Taxes (Credit) | (240,988) | (15,856) | - | (256,844) |
| 1240 | Receivables from Other Governments | 373,933 | 74,834 | 330,729 | 779,496 |
| 1250 | Accrued Interest | 1,106 | - | - | 1,106 |
| 1260 | Due from Other Funds | 556,768 | - | - | 556,768 |
| 1410 | Deferred Expenditures | 98,055 | - | - | 98,055 |
| 1000 | Total Assets | <u>\$ 5,316,475</u> | <u>\$ 201,883</u> | <u>\$ 172,578</u> | <u>\$ 5,690,936</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| 2110 | Accounts Payable | \$ 54,798 | - | - | \$ 54,798 |
| 2150 | Payroll Deductions and Withholdings Payable | (19,251) | - | - | (19,251) |
| 2160 | Accrued Wages Payable | 424,494 | - | - | 424,494 |
| 2170 | Due to Other Funds | 447,128 | - | 109,640 | 556,768 |
| 2180 | Due to Other Governments | 292,156 | - | 2,087 | 294,243 |
| 2200 | Accrued Expenditures | 32,274 | - | - | 32,274 |
| 2300 | Deferred Revenues | 556,225 | 38,937 | 7,978 | 603,140 |
| 2000 | Total Liabilities | <u>1,787,824</u> | <u>38,937</u> | <u>119,705</u> | <u>1,946,466</u> |
| Fund Balances: | | | | | |
| Reserved For: | | | | | |
| 3420 | Retirement of Long Term Debt | - | 162,946 | - | 162,946 |
| 3450 | Food Service/Federal or State Funds | 278,312 | - | - | 278,312 |
| 3490 | Other Reserved/Restricted Fund Balance | 488,701 | - | - | 488,701 |
| Unreserved Designated For: | | | | | |
| 3510 | Construction | 1,405,328 | - | - | 1,405,328 |
| Unreserved and Undesignated: | | | | | |
| 3600 | Reported in the General Fund | 1,356,311 | - | - | 1,356,311 |
| 3610 | Reported in Special Revenue Funds | - | - | 52,872 | 52,872 |
| 3000 | Total Fund Balances | <u>3,528,652</u> | <u>162,946</u> | <u>52,872</u> | <u>3,744,470</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 5,316,476</u> | <u>\$ 201,883</u> | <u>\$ 172,577</u> | <u>\$ 5,690,936</u> |

The notes to the financial statements are an integral part of this statement.

Lyford Consolidated Independent School District
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
AUGUST 31, 2010

| | | | |
|-----------|---|----|-----------|
| 1 | | | - |
| 1 | Total Fund Balances - Governmental Funds | \$ | 3,744,470 |
| 2 | Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$21,304,781 and the accumulated depreciation was \$6,224,434. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets. | | 5,661,190 |
| 3 | Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2010 capital outlays and debt principal payments is to increase (decrease) net assets. | | 463,682 |
| 4 | The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. | | (454,678) |
| 5 | Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets. | | 520,542 |
| 19 | Net Assets of Governmental Activities | \$ | 9,935,206 |

The notes to the financial statements are an integral part of this statement.

Lyford Consolidated Independent School District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Funds | Total Governmental Funds |
|--|-----------------------|----------------------------|------------------|--------------------------------|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 2,300,911 | \$ 299,579 | \$ - | \$ 2,600,490 |
| 5800 State Program Revenues | 8,609,963 | 506,796 | 410,428 | 9,527,187 |
| 5900 Federal Program Revenues | 1,488,643 | - | 3,409,096 | 4,897,739 |
| 5020 Total Revenues | <u>12,399,517</u> | <u>806,375</u> | <u>3,819,524</u> | <u>17,025,416</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 5,603,626 | - | 3,211,161 | 8,814,787 |
| 0012 Instructional Resources and Media Services | 194,872 | - | 71,282 | 266,154 |
| 0013 Curriculum and Instructional Staff Development | 84,652 | - | 85,548 | 170,200 |
| 0021 Instructional Leadership | 54,579 | - | 12,227 | 66,806 |
| 0023 School Leadership | 635,602 | - | 2,714 | 638,316 |
| 0031 Guidance, Counseling and Evaluation Services | 167,623 | - | 152,463 | 320,086 |
| 0032 Social Work Services | 245 | - | 6,321 | 6,566 |
| 0033 Health Services | 147,410 | - | - | 147,410 |
| 0034 Student (Pupil) Transportation | 534,617 | - | 84,747 | 619,364 |
| 0035 Food Services | 1,112,794 | - | 17,694 | 1,130,488 |
| 0036 Extracurricular Activities | 781,278 | - | - | 781,278 |
| 0041 General Administration | 810,687 | - | - | 810,687 |
| 0051 Facilities Maintenance and Operations | 1,925,953 | - | - | 1,925,953 |
| 0052 Security and Monitoring Services | 141,883 | - | 5,295 | 147,178 |
| 0053 Data Processing Services | 142,499 | - | 14,182 | 156,681 |
| 0061 Community Services | 34,430 | - | 135,417 | 169,847 |
| Debt Service: | | | | |
| 0071 Debt Service - Principal on Long Term Debt | - | 470,000 | - | 470,000 |
| 0072 Debt Service - Interest on Long Term Debt | - | 402,147 | - | 402,147 |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 49,969 | - | - | 49,969 |
| 0095 Payments to Juvenile Justice Alternative Ed. Prg. | 9,082 | - | - | 9,082 |
| 6030 Total Expenditures | <u>12,431,801</u> | <u>872,147</u> | <u>3,799,051</u> | <u>17,102,999</u> |
| 1200 Net Change in Fund Balances | (32,284) | (65,772) | 20,473 | (77,583) |
| 0100 Fund Balance - September 1 (Beginning) | <u>3,560,938</u> | <u>228,718</u> | <u>32,399</u> | <u>3,822,055</u> |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ 3,528,654</u> | <u>\$ 162,946</u> | <u>\$ 52,872</u> | <u>\$ 3,744,472</u> |

The notes to the financial statements are an integral part of this statement.

Lyford Consolidated Independent School District
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2010

| | | |
|---|-----------|-----------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | (77,583) |
| | | - |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2010 capital outlays and debt principal payments is to increase (decrease) net assets. | | 463,682 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. | | (454,678) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets. | | (19,401) |
| Change in Net Assets of Governmental Activities | <u>\$</u> | <u>(87,980)</u> |

The notes to the financial statements are an integral part of this statement.

Lyford Consolidated Independent School District
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2010

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) | |
|--|---|--------------|--------------------------------|--|-------------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Total Local and Intermediate Sources | \$ 2,249,476 | \$ 2,343,476 | \$ 2,300,911 | \$ (42,565) |
| 5800 | State Program Revenues | 10,406,964 | 9,220,742 | 8,609,963 | (610,779) |
| 5900 | Federal Program Revenues | 988,156 | 1,092,710 | 1,488,643 | 395,933 |
| 5020 | Total Revenues | 13,644,596 | 12,656,928 | 12,399,517 | (257,411) |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 6,517,796 | 5,581,436 | 5,603,626 | (22,190) |
| 0012 | Instructional Resources and Media Services | 207,678 | 201,178 | 194,872 | 6,306 |
| 0013 | Curriculum and Instructional Staff Development | 176,064 | 89,930 | 84,652 | 5,278 |
| 0021 | Instructional Leadership | 68,056 | 57,334 | 54,579 | 2,755 |
| 0023 | School Leadership | 676,687 | 676,187 | 635,602 | 40,585 |
| 0031 | Guidance, Counseling and Evaluation Services | 169,482 | 169,482 | 167,623 | 1,859 |
| 0032 | Social Work Services | 22,783 | 3,106 | 245 | 2,861 |
| 0033 | Health Services | 140,625 | 145,487 | 147,410 | (1,923) |
| 0034 | Student (Pupil) Transportation | 543,875 | 548,430 | 534,617 | 13,813 |
| 0035 | Food Services | 1,014,510 | 1,079,510 | 1,112,794 | (33,284) |
| 0036 | Extracurricular Activities | 759,108 | 808,608 | 781,278 | 27,330 |
| 0041 | General Administration | 835,712 | 860,554 | 810,687 | 49,867 |
| 0051 | Facilities Maintenance and Operations | 2,075,088 | 2,038,001 | 1,925,953 | 112,048 |
| 0052 | Security and Monitoring Services | 136,024 | 136,024 | 141,883 | (5,859) |
| 0053 | Data Processing Services | 155,311 | 155,311 | 142,499 | 12,812 |
| 0061 | Community Services | 53,559 | 65,915 | 34,430 | 31,485 |
| Intergovernmental: | | | | | |
| 0093 | Payments to Fiscal Agent/Member Districts of SSA | 49,969 | 49,969 | 49,969 | - |
| 0095 | Payments to Juvenile Justice Alternative Ed. Prg. | 14,000 | 10,000 | 9,082 | 918 |
| 6030 | Total Expenditures | 13,616,327 | 12,676,462 | 12,431,801 | 244,661 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | 28,269 | (19,534) | (32,284) | (12,750) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 | Transfers In | 2,057,134 | 2,337,230 | - | (2,337,230) |
| 8911 | Transfers Out (Use) | (2,065,608) | (2,328,982) | - | 2,328,982 |
| 7080 | Total Other Financing Sources (Uses) | (8,474) | 8,248 | - | (8,248) |
| 1200 | Net Change in Fund Balances | 19,795 | (11,286) | (32,284) | (20,998) |
| 0100 | Fund Balance - September 1 (Beginning) | - | 3,560,938 | 3,560,938 | - |
| 3000 | Fund Balance - August 31 (Ending) | \$ 19,795 | \$ 3,549,652 | \$ 3,528,654 | \$ (20,998) |

The notes to the financial statements are an integral part of this statement.

Lyford Consolidated Independent School District
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2010

| | Agency Fund |
|---------------------------|------------------|
| <hr/> | |
| ASSETS | |
| Cash and Cash Equivalents | \$ 51,752 |
| Total Assets | <u>\$ 51,752</u> |
| LIABILITIES | |
| Due to Student Groups | \$ 51,752 |
| Total Liabilities | <u>\$ 51,752</u> |

The notes to the financial statements are an integral part of this statement.

LYFORD CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lyford Consolidated Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Lyford Consolidated Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

The fund financial statements provide reports on the financial condition and results of operations for fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as does the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The District does not consider property tax revenue available if they are collectible within 60 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, that is, when they are both measurable and available. The District considers state revenues "available" if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

2. **Debt Service Fund** – The district accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

3. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

4. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund.

E. OTHER ACCOUNTING POLICIES

1. In the government-wide financial statements, and in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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 the 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.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives: buildings - 50 years, building improvements - 50 years, infrastructures - 50 years, vehicles - 10 years, office equipment - 5 years, and computer equipment - 5 years.

3. 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 specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
4. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
5. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide* . Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

| <u>Capital Assets</u> <u>at the Beginning of the year</u> | <u>Historic Cost</u> | <u>Accumulated</u> <u>Depreciation</u> | <u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u> | <u>Change in Net</u> <u>Assets</u> |
|---|----------------------|---|---|---------------------------------------|
| Land | 62,778 | | 62,778 | |
| Buildings | 19,190,438 | 4,655,053 | 14,535,385 | |
| Furniture & Equipment | 2,051,565 | 1,567,381 | 484,184 | |
| Capital Leases | 0 | 0 | 0 | |
| Construction in Progress | <u>0</u> | <u>0</u> | <u>0</u> | |
| Change in Net Assets | | | | <u>15,082,347</u> |
| | | | | |
| <u>Long-term Liabilities</u> <u>at the Beginning of the year</u> | | | <u>Payable at the</u> <u>Beginning of</u> <u>the Year</u> | |
| Bonds Payable | | | 9,809,997 | |
| Deferred Charges | | | (388,840) | |
| Loans Payable | | | 0 | |
| Capital Leases Payable | | | 0 | |
| Compensated Absences | | | 0 | |
| Other | | | <u>0</u> | |
| Change in Net Assets | | | | <u>(9,421,157)</u> |
| Net Adjustment to Net Assets | | | | <u>5,661,190</u> |

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

| | <u>Amount</u> | <u>Adjustments to</u> <u>Changes in Net</u> <u>Assets</u> | <u>Adjustments</u> <u>to Net Assets</u> |
|--------------------------------------|----------------|---|--|
| <u>Current Year Capital Outlay</u> | | | |
| Land | 0 | | |
| Buildings & Improvements | 0 | | |
| Furniture & Equipment | 84,727 | | |
| Construction in Progress | <u>0</u> | | |
| Total Capital Outlay | <u>84,727</u> | <u>84,727</u> | <u>84,727</u> |
| <u>Debt Principal Payments</u> | | | |
| Bond Principal | 470,000 | | |
| Loan Principal | 0 | | |
| Capital Lease Payments | 0 | | |
| Other | <u>0</u> | | |
| Total Principal Payment | <u>470,000</u> | <u>470,000</u> | <u>470,000</u> |
| <u>Amortization</u> (Loan Cost etc.) | | <u>(91,045)</u> | <u>(91,045)</u> |
| Total Adjustment to Net Assets | | <u>463,482</u> | <u>463,482</u> |

Another element of the reconciliation on Exhibit C-2 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

| | <u>Amount</u> | <u>Adjustments to</u> <u>Change in Net</u> <u>Assets</u> | <u>Adjustments</u> <u>to Net Assets</u> |
|---|----------------|--|--|
| <u>Adjustments to Revenue and Deferred Revenue</u> | | | |
| Taxes Collected from Prior Year Levies | 144,395 | (144,395) | 0 |
| Uncollected taxes (assumed collectible) from Current Year Levy | | 107,641 | 107,641 |
| Uncollected Taxes (assumed collectible) from Prior Year Levy | | 0 | 412,901 |
| <u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u> | | | |
| New Bond Issue | 0 | 0 | 0 |
| Discount (Premium) on Issuance of Bonds | 0 | 0 | 0 |
| Capital Lease Proceeds | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| Reclassify liabilities incurred but not liquidated this year | | | |
| Unused Vacation Pay and/or unused sick leave | 0 | 0 | 0 |
| Reclassify certain expenditures to prepaid assets: | | | |
| Prepaid Insurance Premiums | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | <u>144,395</u> | <u>(36,754)</u> | <u>520,542</u> |

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the General 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 C-5 and the other two reports are in Exhibit J4 and J5.

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

1. 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.
2. 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.
3. 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.
4. 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. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

| | August 31, 2010 <u>Fund Balance</u> |
|---------------------------|--|
| All Special Revenue Fund | \$52,872 |
| All Special Revenue Funds | <u>\$52,872</u> |

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in four functions in the General Fund.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Lyford Consolidated Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2010, Lyford Consolidated Independent School District had the following investments.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in years)</u> | | | |
|----------------------------|--------------------|---|------------|-------------|---------------------|
| | | <u>Less than 1</u> | <u>1-5</u> | <u>6-10</u> | <u>More Than 10</u> |
| Certificates of Deposit | 1,937,172 | 1,937,172 | | | |
| Lone Star Investment Pools | 612,670 | 612,670 | | | |
| Total | <u>\$2,549,872</u> | <u>\$2,549,842</u> | | | |

(\$261,925 of the investment pools are included in object code 1110-cash and cash equivalent)

Additional policies and contractual provisions governing deposits and investments for Lyford Consolidated Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its

obligations, the District limits investments to Certificates of Deposit and Lone Star Investment Pools. Lone Star Investment Pools are like funds meaning that they are structured similarly to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant value of \$1.00, although this cannot be fully guaranteed. Lone Star Investment Pools portfolio had a weighted average maturity of 31 days; the District considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk As of August 31, 2010, the Certificates of Deposit represent 76% of the portfolio. Investment Pools represent 24% of the portfolio.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

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 located in the District 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. The District does not consider taxes available when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2010, consisted of the following amounts:

Due to/Due from General Fund:

| <u>1260 Due From</u> | <u>DB</u> | <u>2170 Due To</u> | <u>CR</u> |
|----------------------|----------------|--------------------|----------------|
| Payroll Fund | 377,128 | Payroll Fund | 100,000 |
| Payroll Fund | 109,640 | Local fund | 347,128 |
| Local Fund | <u>100,000</u> | State Federal Fund | <u>109,640</u> |

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2010, were as follows:

| | <u>Property Taxes</u> | <u>Other Governments</u> | <u>Due From Other Funds</u> | <u>Other</u> | <u>Total Receivables</u> |
|---|---------------------------|------------------------------|---------------------------------|--------------|------------------------------|
| Governmental Activities: | | | | | |
| General Fund | \$ 722,591 | 373,933 | \$ 0 | 0 | 1,096,524 |
| Major Governmental Fund #1 | 54,793 | 74,834 | 0 | 0 | 129,627 |
| Major Governmental Fund #2 | 0 | 0 | 0 | 0 | 0 |
| Nonmajor Governmental Funds | 0 | 330,729 | 0 | 0 | 330,729 |
| Internal Service Funds | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total - Governmental Activities | <u>777,384</u> | <u>779,496</u> | <u>0</u> | <u>0</u> | <u>1,556,880</u> |
| Amounts not scheduled for collection during the subsequent year | <u>\$ 256,844</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Payables at August 31, 2010, were as follows:

| | <u>Accounts and Bonds Payable - Current Year</u> | <u>Loans, Leases and Salaries and Benefits</u> | <u>Due To Other Funds</u> | <u>Due to Other Governments</u> | <u>Other</u> | <u>Total Payables</u> |
|--|--|--|-----------------------------------|---|----------------|---------------------------|
| Governmental Activities: | | | | | | |
| General Fund | \$ 54,798 | \$ 0 | \$ 405,243 | \$ 447,128 | \$ 292,156 | \$ 32,274 |
| Nonmajor Gov. Funds | 0 | 0 | 0 | 109,640 | 2,087 | 0 |
| Total - Gov. Activities | <u>54,798</u> | <u>0</u> | <u>405,243</u> | <u>556,768</u> | <u>294,243</u> | <u>32,274</u> |
| Amounts not scheduled for payment during the subsequent year | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

F. CAPITAL ASSET ACTIVITY

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

| | <u>Beginning</u> <u>Balance</u> | Primary Government | | <u>Ending</u> <u>Balance</u> |
|--|------------------------------------|--------------------|--------------------|---------------------------------|
| | | <u>Additions</u> | <u>Retirements</u> | |
| Governmental Activities: | | | | |
| Land | 62,778 | 0 | 0 | 62,778 |
| Buildings and Improvements | 19,190,438 | 0 | 0 | 19,190,438 |
| Furniture and Equipment | 2,051,565 | 84,727 | 0 | 2,136,292 |
| Capital Leases | 0 | 0 | 0 | 0 |
| Infrastructure | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Totals at Historic Cost | <u>21,304,781</u> | <u>84,727</u> | <u>0</u> | <u>21,389,508</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (4,655,053) | (327,455) | 0 | (4,982,508) |
| Furniture and Equipment | (1,567,381) | (127,223) | 0 | (1,694,604) |
| Capital Leases | 0 | 0 | 0 | 0 |
| Infrastructure | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Accumulated Depreciation | <u>(6,222,434)</u> | <u>(454,678)</u> | <u>0</u> | <u>(6,677,112)</u> |
| Governmental Activities Capital Assets, Net | <u>15,802,347</u> | <u>(369,951)</u> | <u>0</u> | <u>14,712,396</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--|---------|
| Instruction | 271,232 |
| Instructional Resources and Media Services | 1,800 |
| Curriculum Development and Instructional Staff Development | 0 |
| Instructional Leadership | 0 |
| School Leadership | 5,228 |
| Guidance, Counseling and Evaluation Services | 0 |
| Social Work Services | 0 |
| Health Services | 0 |
| Student (Pupil) Transportation | 78,318 |
| Food Services | 36,780 |
| Cocurricular/Extracurricular Activities | 54,537 |
| General Administration | 2,007 |
| Plant Maintenance and Operations | 2,776 |
| Security and Monitoring Service | 2,000 |
| Data Processing Services | 0 |
| Community Services | 0 |
| Facilities Acquisition and Construction | 0 |
| Contracted Instructional Services Between Schools | 0 |

In addition, depreciation on capital assets held by the District's
Internal Service Fund(s) is charged to the various functions
based on their usage of the assets

| | |
|----------------------------|----------------|
| Total Depreciation Expense | <u>454,678</u> |
|----------------------------|----------------|

G. BONDS AND LONG-TERM NOTES PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2010 is as follows:

| <u>DESCRIPTION</u> | <u>Interest Payable</u> | <u>Amounts Original Issue</u> | <u>Interest Current Year</u> | <u>Payable Amounts Outstanding 9/1/09</u> | <u>Issued</u> | <u>Retired</u> | <u>Outstanding 8/31/10</u> |
|---|-------------------------|-------------------------------|------------------------------|---|---------------|----------------|----------------------------|
| Texas School Building Bonds – Series 2002 | 4.600% | 5,500,000 | 26,900 | 650,000 | 0 | 120,000 | 530,000 |
| Unlimited Tax Ref Bonds – Series 2006 | 4.180% | 6,470,000 | 218,614 | 5,230,000 | 0 | 315,000 | 4,915,000 |
| Unlimited Tax Ref Bonds – Series 2007 | 4.131% | <u>4,069,997</u> | <u>156,563</u> | <u>3,929,997</u> | <u>0</u> | <u>35,000</u> | <u>3,894,997</u> |
| TOTAL | | <u>16,039,997</u> | <u>402,077</u> | <u>9,809,997</u> | <u>0</u> | <u>470,000</u> | <u>9,339,997</u> |

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2010.

H. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES

Debt service requirements for bonds are as follows:

| <u>Year Ended August 31</u> | <u>General Obligations</u> | | <u>Total Requirements</u> |
|-----------------------------|----------------------------|------------------|---------------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 2011 | 480,000 | 381,622 | 861,622 |
| 2012 | 500,000 | 362,271 | 862,271 |
| 2013 | 520,000 | 341,942 | 861,942 |
| 2014 | 545,000 | 320,624 | 865,624 |
| 2015 | 407,388 | 460,732 | 868,120 |
| 2016 – 2020 | 2,777,609 | 1,548,200 | 4,325,809 |
| 2021 – 2025 | 2,120,000 | 613,942 | 2,733,942 |
| 2026 – 2030 | 1,365,000 | 304,803 | 1,669,803 |
| 2031 – 2032 | <u>625,000</u> | <u>39,629</u> | <u>664,629</u> |
| Total | <u>9,339,997</u> | <u>4,373,765</u> | <u>13,713,762</u> |

I. DEFINED BENEFIT PENSION PLAN

Plan Description . Lyford Consolidated Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 8701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trns.state.tx.us, under the TRS Publications heading.

Funding Policy . State law provides for fiscal years 2008, 2009 and 2010 a state contribution rate of **6.644%** and a member contribution rate of **6.4%**. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's **6.0%** contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of Lyford Consolidated Independent School District's employees for the years ended August 31, 2008, 2009 and 2010 were \$445,559, \$453,018 and \$431,039, respectively. Lyford Consolidated Independent School District paid additional state contributions for the years ended August 31, 2008, 2009, and 2010 in the amount of \$43,647, \$53,262 and \$73,905, respectively, on the portion of the employees' salaries that exceeded the statutory minimum. The amounts of TRS on-behalf payments for Medicare Part D for the District for the years ended August 31, 2008, 2009, and 2010, were \$23,544, \$25,785 and \$26,452, respectively.

J. HEALTH CARE COVERAGE

During the year ended August 31, 2010, employees of the Lyford Consolidated Independent School District were covered by a health insurance plan. The District contributed \$240 per employee monthly to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. The plan was authorized by Section 21.922 Texas Education Code, and was documented by contractual agreement.

K. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2009, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Bonds and Notes Payable: | | | | | |
| General Obligation Bonds | \$ 9,809,997 | \$ 0 | \$ 470,000 | \$ 9,339,997 | 480,000 |
| Special Assessment Bonds | 0 | 0 | 0 | 0 | 0 |
| Equipment Note | 0 | 0 | 0 | 0 | 0 |
| Less Deferred Amount on Refunding | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Bonds and Notes Payable | <u>9,809,997</u> | <u>0</u> | <u>470,000</u> | <u>9,339,997</u> | <u>480,000</u> |
| Reconciled items: | | | | | |
| Prior year balance of accounting loss | | | | (553,710) | |
| Current year adjustments | | | | | |
| Current amortization of accounting losses | | | | 41,381 | |
| Current accretion of Capital Appreciation Bonds Interest | | | | 54,795 | |
| Current amortization of Bond issuance cost | | | | (11,923) | |
| Unamortized discount | | | | 272,288 | |
| | | | | <u>9,142,828</u> | |
| Due within one year | | | | 480,000 | |
| Due beyond one year | | | | <u>8,662,828</u> | |
| | | | | <u>9,142,828</u> | |

L. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> |
|------------------------|---------------------|---------------------------------|------------------------------|----------------|
| Net Tax Revenue | \$ 556,225 | \$ 0 | \$ 38,937 | \$ 595,162 |
| Advanced Placement | <u>0</u> | <u>7,978</u> | <u>0</u> | <u>7,784</u> |
| Total Deferred Revenue | <u>556,225</u> | <u>7,978</u> | <u>38,937</u> | <u>603,140</u> |

M. DUE FROM STATE AGENCIES

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

| <u>FUND</u> | <u>STATE ENTITLEMENTS</u> | <u>FEDERAL GRANTS</u> | <u>TOTAL</u> |
|-----------------|-------------------------------|---------------------------|----------------|
| General | \$373,933 | \$ 0 | \$373,933 |
| Debt Service | 74,834 | 0 | 74,834 |
| Special Revenue | <u>0</u> | <u>330,729</u> | <u>330,729</u> |
| Total | <u>448,767</u> | <u>330,729</u> | <u>779,496</u> |

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

| | <u>General</u> Fund | <u>Special</u> <u>Revenue</u> Fund | <u>Debt</u> <u>Service</u> Fund | <u>Capital</u> <u>Projects</u> Fund | <u>Total</u> |
|---|------------------------|--|---------------------------------------|---|------------------|
| Property Taxes | \$1,916,518 | \$ 0 | 290,555 | \$ 0 | \$2,207,073 |
| Penalties, Interest and Other Tax-related Income | 78,233 | 0 | 8,769 | 0 | 87,002 |
| Investment Income | 11,156 | 0 | 255 | 0 | 11,411 |
| Food Sales | 87,544 | 0 | 0 | 0 | 87,544 |
| Co-curricular Student Activities | 28,012 | 0 | 0 | 0 | 28,012 |
| Other | <u>179,447</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>179,447</u> |
| Total | <u>2,300,910</u> | <u>0</u> | <u>299,579</u> | <u>0</u> | <u>2,600,489</u> |

O. LITIGATION

There is no pending litigation.

P. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District participates in several shared service arrangements including:

- Special Ed Co-op through Raymondville ISD county district number 245903
(\$49,969 is coded under object 6492 was contributed to the Co-op. This Co-op is also funded by the District's IDEA funding. The District is one of six members of the Co-op.)
- ARRA – IDEA Grant through Raymondville ISD county district number 245903
(\$255,443 is coded under object 6100 through 6400 for expenditures and 5929 for revenues. The District invoices Raymondville ISD for the expenditures incurred. The District is one of six districts participating in this grant.)
- The District has a shared service arrangement with Brownsville School for the Deaf county district number 031901 through the Special Ed Co-op through Raymondville ISD.
- Safe and Drug-Free Schools Grant through Region One ESC Service Center county district number 108950
(\$2,972 is coded under 5929 for revenues and 6499 for expenditures. The District invoices Region One for the expenditures incurred.)
- GEAR UP Grant through Region One ESC Service Center county district 108950
(\$86,184 is coded under 5929 for revenues and 6100 through 6400 for expenditures. The District invoices Region One for the expenditures incurred.)

The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Lyford Consolidated Independent School district. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

Q. PRIOR PERIOD ADJUSTMENT

Unamortized Bond Issuance Cost was not included in prior year's financial statements.

T.E.A. REQUIRED SCHEDULES

Lyford Consolidated Independent School District
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2010

| Last 10 Years Ended August 31 | (1) | (2) | (3) |
|----------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2001 -and prior years | \$ 1.500000 | \$ 0.000000 | \$ 132,257,274 |
| 2002 | 1.500000 | 0.080000 | 131,983,221 |
| 2003 | 1.500000 | 0.080000 | 127,898,066 |
| 2004 | 1.500000 | 0.080000 | 129,644,051 |
| 2005 | 1.500000 | 0.080000 | 137,702,308 |
| 2006 | 1.370000 | 0.080000 | 146,379,746 |
| 2007 | 1.040000 | 0.230000 | 166,298,820 |
| 2008 | 1.040000 | 0.160000 | 161,753,119 |
| 2009 | 1.040000 | 0.160000 | 203,266,482 |
| 2010 (School year under audit) | 1.040000 | 0.160000 | 180,009,343 |
| 1000 TOTALS | | | |

| (10) Beginning Balance 9/1/2009 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2010 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 235,017 | \$ - | \$ 6,186 | \$ 386 | \$ (23,605) | \$ 204,840 |
| 41,305 | - | 1,842 | - | (1,648) | 37,815 |
| 45,653 | - | 3,309 | 176 | (1,581) | 40,587 |
| 50,954 | - | 3,976 | 211 | (2,871) | 43,896 |
| 58,837 | - | 8,994 | 479 | (1,510) | 47,854 |
| 70,164 | - | 11,840 | 631 | (1,239) | 56,454 |
| 82,604 | - | 20,115 | 1,175 | (1,132) | 60,182 |
| 87,938 | - | 22,800 | 5,042 | (1,411) | 58,685 |
| 146,944 | - | 49,915 | 7,677 | (5,485) | 83,867 |
| - | 2,220,584 | 1,787,894 | 274,981 | (14,504) | 143,205 |
| <u>\$ 819,416</u> | <u>\$ 2,220,584</u> | <u>\$ 1,916,871</u> | <u>\$ 290,758</u> | <u>\$ (54,986)</u> | <u>\$ 777,385</u> |

Lyford Consolidated Independent School District
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2011-2012
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2010

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

| Account Number | Account Name | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|----------------|---|-----------------------|--------------------------|------------------------|------------------------|----------------------|--------------------------|-------------------|
| | | (702) School Board | (703) Tax Collections | (701) Supt's Office | (750) Indirect Cost | (720) Direct Cost | (other) Miscellaneous | Total |
| 611X-6146 | PAYROLL COSTS | \$ - | \$ 46,984 | \$ 166,640 | \$ 334,957 | \$ - | \$ 72,992 | \$ 621,573 |
| 6149 | Leave for Separating Employees in Fn 41 & 53 | - | - | - | - | - | - | - |
| 6149 | Leave - Separating Employees not in 41 & 53 | - | - | - | - | - | - | - |
| 6211 | Legal Services | 3,884 | - | - | - | - | - | 3,884 |
| 6212 | Audit Services | - | - | - | - | - | - | - |
| 6213 | Tax Appraisal/Collection - Appraisal in Fn 99 | - | 42,348 | - | - | - | - | 42,348 |
| 621X | Other Professional Services | - | 4,000 | - | 26,790 | - | - | 30,790 |
| 6220 | Tuition and Transfer Payments | - | - | - | - | - | - | - |
| 6230 | Education Service Centers | - | - | - | 65,030 | - | - | 65,030 |
| 6240 | Contr. Maint. and Repair | - | - | - | - | 2,793 | - | 2,793 |
| 6250 | Utilities | - | - | - | - | - | - | - |
| 6260 | Rentals | - | - | 2,292 | 1,821 | - | - | 4,113 |
| 6290 | Miscellaneous Contr. | - | 8,167 | - | 1,702 | - | - | 9,869 |
| 6320 | Textbooks and Reading | - | - | 860 | - | - | - | 860 |
| 6330 | Testing Materials | - | - | - | - | - | - | - |
| 63XX | Other Supplies Materials | 2,477 | 4,348 | 5,058 | 23,928 | - | 43,617 | 79,428 |
| 6410 | Travel, Subsistence, Stipends | 23,073 | 996 | 9,024 | 7,658 | - | 483 | 41,234 |
| 6420 | Ins. and Bonding Costs | - | 885 | - | 7,705 | - | - | 8,590 |
| 6430 | Election Costs | 370 | - | - | - | - | - | 370 |
| 6490 | Miscellaneous Operating | 9,842 | - | 14,266 | 32,379 | - | - | 56,487 |
| 6500 | Debt Service | - | - | - | - | - | - | - |
| 6600 | Capital Outlay | - | - | - | - | - | - | - |
| 6000 | TOTAL | \$ 39,646 | \$ 107,728 | \$ 198,140 | \$ 501,970 | \$ 2,793 | \$ 117,092 | \$ 967,369 |

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 16,230,854

LESS: Deductions of Unallowable Costs

FISCAL YEAR

| | | |
|--|------|-----------|
| Total Capital Outlay (6600) | (10) | \$ 84,747 |
| Total Debt & Lease(6500) | (11) | - |
| Plant Maintenance (Function 51, 6100-6400) | (12) | 1,925,953 |
| Food (Function 35, 6341 and 6499) | (13) | 529,663 |
| Stipends (6413) | (14) | 19,783 |
| Column 4 (above) - Total Indirect Cost | | 501,970 |

SubTotal: 3,062,117

Net Allowed Direct Cost \$ 13,168,737

CUMULATIVE

| | | |
|---|------|---------------|
| Total Cost of Buildings before Depreciation (1520) | (15) | \$ 19,190,438 |
| Historical Cost of Building over 50 years old | (16) | \$ 759,377 |
| Amount of Federal Money in Building Cost (Net of #16) | (17) | \$ - |
| Total Cost of Furniture & Equipment before Depreciation (1530 & 1540) | (18) | \$ 2,136,312 |
| Historical Cost of Furniture & Equipment over 16 years old | (19) | \$ 472,833 |
| Amount of Federal Money in Furniture & Equipment (Net of #19) | (20) | \$ - |

(8) NOTE A: \$62,956 in Function 53 expenditures are included in this report on administrative costs.
 No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

Lyford Consolidated Independent School District
 FUNDBALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2010

UNAUDITED

| | | | |
|----|---|----|-------------------------|
| 1 | Total General Fund Balance as of 8/31/10 (Exhibit C-1 object 3000 for the General Fund Only) | \$ | 3,528,652 |
| 2 | Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only) | \$ | - |
| 3 | Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only) | | 1,405,328 |
| 4 | Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.) | | - |
| 5 | Estimate of two month's average cash disbursements during the fiscal year. | | 3,000,000 |
| 6 | Estimate of delayed payments from state sources (58xx). | | - |
| 7 | Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount. | | - |
| 8 | Estimate of delayed payments from federal sources (59xx) | | - |
| 9 | Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds) | | - |
| 10 | Adjustment to meet Board Policy | | - |
| 11 | Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10) | | <u>4,405,328</u> |
| 12 | Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 11) | \$ | <u><u>(876,676)</u></u> |

Lyford Consolidated Independent School District
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2010

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|------------------|------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 87,150 | \$ 102,150 | \$ 106,501 | \$ 4,351 |
| 5800 State Program Revenues | 6,658 | 6,658 | 6,588 | (70) |
| 5900 Federal Program Revenues | 920,702 | 970,702 | 1,032,439 | 61,737 |
| 5020 Total Revenues | 1,014,510 | 1,079,510 | 1,145,528 | 66,018 |
| EXPENDITURES: | | | | |
| 0035 Food Services | 1,014,510 | 1,079,510 | 1,112,794 | (33,284) |
| 6030 Total Expenditures | 1,014,510 | 1,079,510 | 1,112,794 | (33,284) |
| 1200 Net Change in Fund Balances | - | - | 32,734 | 32,734 |
| 0100 Fund Balance - September 1 (Beginning) | 245,578 | 245,578 | 245,578 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 245,578 | \$ 245,578 | \$ 278,312 | \$ 32,734 |

Lyford Consolidated Independent School District
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2010

| Data Control Codes | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|------------------|------------|--------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ 492,306 | \$ 289,499 | \$ 299,579 | \$ 10,080 |
| 5800 State Program Revenues | 379,771 | 379,771 | 506,796 | 127,025 |
| 5020 Total Revenues | 872,077 | 669,270 | 806,375 | 137,105 |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| 0071 Debt Service - Principal on Long Term Debt | 470,000 | 470,000 | 470,000 | - |
| 0072 Debt Service - Interest on Long Term Debt | 402,077 | 402,077 | 402,147 | (70) |
| 6030 Total Expenditures | 872,077 | 872,077 | 872,147 | (70) |
| 1200 Net Change in Fund Balances | - | (202,807) | (65,772) | 137,035 |
| 0100 Fund Balance - September 1 (Beginning) | 228,718 | 228,718 | 228,718 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 228,718 | \$ 25,911 | \$ 162,946 | \$ 137,035 |

**REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

Independent Auditor's Report

Board of Trustees
Lyford Consolidated Independent School District
P O Box 220
Lyford, Texas 78569

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lyford Consolidated Independent School District as of and for the year ended August 31, 2010, which collectively comprise Lyford Consolidated Independent School District's basic financial statements and we have issued our report thereon dated January 10, 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 Lyford Consolidated Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lyford Consolidated Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lyford Consolidated 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 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 Lyford Consolidated 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, the district's trustees, others within the entity, and the Texas Education Agency, 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.

Buffo & Berkman
Certified Public Accountants
January 11, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Independent Auditor's Report

Board of Trustees
Lyford Consolidated Independent School District
P O Box 220
Lyford, Texas 78569

Members of the Board:

Compliance

We have audited Lyford Consolidated Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lyford Consolidated Independent School District's major federal programs for the year ended August 31, 2010. Lyford Consolidated 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 Lyford Consolidated Independent School District's management. Our responsibility is to express an opinion on Lyford Consolidated 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. 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 Lyford Consolidated 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 Lyford Consolidated Independent School District's compliance with those requirements.

In our opinion, Lyford Consolidated Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2010.

Internal Control Over Compliance

Management of Lyford Consolidated 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 Lyford Consolidated Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing 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 Lyford Consolidated 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 consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the district's trustees, others within the entity, Texas Education Agency, federal awarding agencies, and passthrough entities and is not intended to be and should not be used by anyone other than these specified parties.

Buffo & Berkman
Certified Public Accountants

January 11, 2011

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

I. Summary of the Auditor's Results:

1. The type of report issued on the financial statements of the Lyford Consolidated Independent School District was an unqualified opinion.
2. Where applicable, a statement that significant deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. None
3. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. None
4. Where applicable, a statement that significant deficiencies in internal control over major programs were disclosed by the audit and whether any such deficiencies were material weaknesses. None
5. The type of report the auditor issued on compliance for major programs. Unqualified opinion
6. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section __.510(a). These include:
 - a) Significant deficiencies in internal control over major programs. Identify significant deficiencies which are individually or cumulatively material weaknesses. None
 - b) Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program. None
 - c) For a type of compliance requirement for a major program, known questioned costs when likely questioned costs are greater than \$10,000. None
 - d) Known questioned costs greater than \$10,000 for a Federal program which is not audited as a major program. None
 - e) The circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards. None
 - f) Known fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. None
 - g) Instances where audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding. None
7. An identification of major programs. ESEA Title I Part A (CFDA: 84.010A); IDEA Part B Formula - ARRA (CFDA: 84.391); ESEA Title IA - ARRA (CFDA: 84.389); Title XIV, State Fiscal Stabilization Fund - ARRA (CFDA: 84.394); ESEA Title I Part A - SIP (CFDA: 84.010A).
8. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
9. A statement as to whether the auditee qualified as a low-risk auditee. The district was classified as a low-risk auditee in the context of OMB Circular A-133.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards* . None

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above. None

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2010

(Prepared by the District's Administration)

With respect to each audit finding included in the current year's auditor's reports, the plan shall contain:

- 1 The name(s) of the contact person(s) responsible for corrective action;
- 2 The corrective action planned;
- 3 The anticipated completion date.

If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan shall include an explanation and specific reasons.

Lyford Consolidated Independent School District
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2010

| (1) | (2) | (3) | (4) |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <u>Pass through Raymondville ISD</u> | | | |
| IDEA, Part B, Formula - ARRA | 84.391 | 10554001245903 | \$ 255,443 |
| Total Pass through Raymondville ISD | | | \$ 255,443 |
| <u>Passed through Region One</u> | | | |
| ESEA Title IV, Pt. A - Safe and Drug-Free Schools GEAR UP | 84.186A 84.334S | 10691001108950 P334A050083 | \$ 2,972 86,184 |
| Total Passed through Region One | | | \$ 89,156 |
| <u>Passed Through State Department of Education</u> | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 10610101245902 | \$ 752,887 |
| | 84.010A | 11610101245902 | 36,898 |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 10610104245902001 | 49,527 |
| Total CFDA Number 84.010A | | | 839,312 |
| ESEA, Title I, Part C - Migratory Children | 84.011 | 10615001245902 | 219,511 |
| ESEA, Title I, Part C - Migratory Children | 84.011 | 11615001245902 | 9,393 |
| Total CFDA Number 84.011 | | | 228,904 |
| Career and Technical - Basic Grant | 84.048 | 10420006245902 | 30,412 |
| ESEA, Title I, Part B - Even Start Family Literacy | 84.213 | 106120017110401 | 150,000 |
| Title II, Part D -Enhancing Ed. Through Technology | 84.318X | 10630001245902 | 7,290 |
| Reading First | 84.357 | 086455057110045 | 8,931 |
| Title III, Part A - English Language Acquisition | 84.365A | 10671001245902 | 17,657 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 10694501245902 | 157,945 |
| ESEA, Title II, Part A -Teacher/Principal Training | 84.367A | 11694501245902 | 10,318 |
| Total CFDA Number 84.367A | | | 168,263 |
| Title I SIP Academy Grant | 84.377A | 10610701245902001 | 141,636 |
| Other Federally Funded Special Revenue Funds | 84.369A | 69550102 | 2,053 |
| Title II D Enhancing Ed. Through Technology - ARRA | 84.386 | 10553001245902 | 14,182 |
| Title I SIP ARRA Stimulus | 84.388 | 10551004245902001 | 44,705 |
| ESEA Title IA - ARRA Improving Basic Programs | 84.389 | 10551001245902 | 4,355 |
| ESEA, Title I, A - ARRA - Improving Basic Programs | 84.389 | 10551001245902 | 424,080 |
| Total CFDA Number 84.389 | | | 428,435 |
| Title XIV, State Fiscal Stabilization Fund - ARRA | 84.394 | 10557001245902 | 1,054,046 |
| Total Passed Through State Department of Education | | | \$ 3,135,826 |
| TOTAL DEPARTMENT OF EDUCATION | | | \$ 3,480,425 |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <u>Passed Through the State Department of Agriculture</u> | | | |
| National School Lunch Program - Cash Assistance* | 10.555 | 7140301/7130301 | \$ 1,032,439 |
| Summer Feeding Program - Cash Assistance | 10.559 | 7547108 | 17,694 |
| Total Passed Through the State Department of Agriculture | | | \$ 1,050,133 |
| TOTAL DEPARTMENT OF AGRICULTURE | | | \$ 1,050,133 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 4,530,558 |

*Clustered Programs as required by Compliance Supplement March, 2010

LYFORD CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2010

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide* . Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
- CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Lyford Consolidated Independent School District fiscal year beginning September 1 2009, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.
- Reconciliation of Federal Revenue
 Presented below is a reconciliation of federal revenues:

| | |
|--|------------------|
| Total Expenditures of Federal Awards per Exhibit K-1 | \$4,530,558 |
| General Fund – Federal Revenue: | |
| School Health and Related Services (SHARS) revenue | <u>367,181</u> |
| Total Federal Revenues per Exhibit C-3 | <u>4,897,739</u> |

SCHOOLS FIRST QUESTIONNAIRE

Lyford Consolidated Independent School District

Fiscal Year 2010

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