

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

Brown, Graham & Company, P.C.
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**CANYON INDEPENDENT SCHOOL DISTRICT
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TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT</u>
CERTIFICATE OF BOARD	1	
INDEPENDENT AUDITOR’S REPORT	2	
MANAGEMENT’S DISCUSSION AND ANALYSIS	5	
BASIC FINANCIAL STATEMENTS:		
GOVERNMENT-WIDE FINANCIAL STATEMENTS:		
Statement of Net Assets	16	A-1
Statement of Activities	17	B-1
FUND FINANCIAL STATEMENTS:		
Balance Sheet - Governmental Funds	19	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	20	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	21	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22	C-4
Statement of Net Assets - Proprietary Funds	23	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	24	D-2
Statement of Cash Flows - Proprietary Funds	25	D-3
Statement of Fiduciary Fund Net Assets - Fiduciary Funds	26	E-1
NOTES TO FINANCIAL STATEMENTS	28	
REQUIRED SUPPLEMENTARY INFORMATION:		
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	49	G-1
OTHER SUPPLEMENTARY INFORMATION:		
Combining Balance Sheet - Nonmajor Governmental Funds	51	H-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	57	H-2
Combining Statement of Net Assets – Internal Service Funds	63	H-3
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	64	H-4
Combining Statement of Cash Flows – Internal Service Funds	65	H-5

**CANYON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2010**

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT</u>
REQUIRED TEA SCHEDULES:		
Schedule of Delinquent Taxes Receivable.....	67	J-1
Schedule of Expenditures for Computations of Indirect Cost for 2011-2012 - General and Special Revenue Funds	69	J-2
Fund Balance and Cash Flow Calculation Worksheet (Unaudited) General Fund.....	70	J-3
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Child Nutrition Program	71	J-4
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Debt Service Fund.....	72	J-5
OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION:		
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with <i>Government Auditing Standards</i>	74	
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	76	
Schedule of Findings and Questioned Costs.....	78	
Schedule of Status of Prior Findings.....	79	
Corrective Action Plan.....	80	
Schedule of Expenditures of Federal Awards	81	K-1
Notes on Accounting Policies for Federal Awards	82	

CERTIFICATE OF BOARD

CANYON INDEPENDENT SCHOOL DISTRICT

Name of School District


RANDALL

County


191-901

Co-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved ___ disapproved for the year ended August 31, 2010, at a meeting of the board of trustees of such school district on the 10th day of January 2011.



Signature of Board Secretary



Signature of Board President



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

**Board of Trustees
Canyon Independent School District
Canyon, Texas**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canyon 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Canyon Independent School District as of August 31, 2010, and the respective changes in financial position and, where applicable, cash flows 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 District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Board of Trustees
Canyon Independent School District
Page two

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 14, and 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Canyon Independent School District's financial statements as a whole. The combining and individual nonmajor fund and internal service financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The required Texas Education Agency schedules listed in the table of contents are likewise presented for purposes of additional analysis and are not a part of the basic financial statements. The combining and individual nonmajor fund and internal service financial statements, the schedule of expenditures of federal awards, and the required TEA schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Except for Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet), the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet), the information is fairly stated in all material respects in relation to the financial statements as a whole. The Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Brown, Graham & Company, P.C.

Amarillo, Texas
January 10, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS



Canyon Independent School District

Randy McDowell
Assistant Superintendent
Business & Operations

Michael L. Wartes
Superintendent

CANYON INDEPENDENT SCHOOL DISTRICT FISCAL YEAR ENDING AUGUST 31, 2010 MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, the administration of Canyon Independent School District discusses and analyzes the District's financial performance for the fiscal year ended August 31, 2010. This section should be read in conjunction with the independent auditors' report and the District's Basic Financial Statements, all of which follow this section.

ABOUT THE SCHOOL DISTRICT

Canyon Independent School District, with a population near 50,000 citizens, encompasses over 720 square miles in Randall County, Texas. Canyon ISD serves both the City of Canyon, Texas and the south portion of the City of Amarillo, Texas. In addition, the district serves a growing rural population living in the unincorporated area between the cities of Amarillo and Canyon. Canyon, Texas, is the seat of government for Randall County and is also home of West Texas A&M University, which is part of the Texas A&M University System. Amarillo, with a population of nearly 190,000, serves as the retail, medical, and service center for a vast area of Texas, Oklahoma and New Mexico.

Enrollment in Canyon ISD is currently 8,824 which is an increase of 88 students from what was reported in last year's annual report. This reflects an increase of slightly more than 1%. However, as in years past, most of the growth in the district has been concentrated in the portion of the district that lies within the incorporated limits of the City of Amarillo. It appears that the district will experience unprecedented growth as the City of Amarillo continues to expand to the south and southwest areas, which are located in Canyon ISD. The district currently includes 16 TEA-registered campuses operating out of 17 educational facilities. The district maintains and operates over 1.4 million square feet of total building volume.

The district demographer has projected that Canyon ISD's enrollment will continue to accelerate and reach 10,000 students by the school year 2012-2013. The District will continue to monitor this growth and will likely begin plans for an additional bond election within the next five to seven years to construct additional intermediate and secondary campuses.

FINANCIAL HIGHLIGHTS FOR FYE 08/31/10

- The District's net assets increased by \$4.19 million, or by 12.19% in fiscal year 2010. By comparison, as reported last year, net assets increased by \$3.97 million, or approximately 13.04% in fiscal year 2009.
- For the year, the District's *total* expenses increased by only \$3.09 million while *net* expense for governmental activities was \$685 thousand, before transfers and special items, more than in the

previous year. Overall, when taking into account program revenues and general revenues, revenues for governmental activities exceeded expenditures by \$4.19 million. By comparison, last year's revenues exceeded expenses by \$3.5 million. The District's general revenues for the year were \$810 thousand higher than in the previous year, primarily due to an increase in student enrollment.

- The General Fund ended the year with a fund balance of \$22,167,008, which is a decrease from the prior year of \$23,347,822, due to the construction of the Canyon ISD's District Support Center.

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. 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 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. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

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 combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. 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 shows 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 from outside the district 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 changes in the District's net assets. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. It is important to realize that the District, since 2001, has undertaken efforts to replace a significant amount of obsolete or irreparable equipment in the District. Thus year-to-year changes in net assets are impacted by both the timing of the issuance of debt and the timing of capital and other expenditures directly related to that debt. Further, the impact of accumulated depreciation and the outstanding balances of bonds and notes will reduce the overall balance in net assets by directly offsetting or reducing the amount invested in capital assets, net of related debt. In general, however, over a longer horizon, 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 non-financial 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, most of the District's basic services are reported under Governmental Activities. These services include 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. The District does not have any Enterprise Funds, which are used to account for Business-type Activities where a fee is charged to "customers" to help cover all or most of the cost of services provided in certain programs. The District also does not have any legally separate, non-fiduciary component units that it is financially accountable for, such as an Alumni Association or other type of activity similar in nature.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, but 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). The District's two kinds of funds – governmental and internal service – use different accounting approaches.

- Governmental funds – most of the District's basic services are reported 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.

- Internal Service funds – these types of funds are one category of proprietary funds, although the activities accounted for in them are usually more governmental in nature as opposed to the business-type activities that are reported in true proprietary funds. The internal service fund is used to report the financing of goods and services for the District's other programs and activities – such as the District's self-insurance programs. In this case, the District accounts for its Workers Compensation and Cafeteria Plan Program in an internal service fund, the results of which are included in Exhibits D-1, D-2 and D-3 of the financial report.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student groups for student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance 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 of government-wide activities focuses on net assets and the changes in net assets resulting from the District's governmental activities. As noted earlier, net assets of the District's governmental activities, which were \$38,624,352 at August 31, 2010, increased from the prior year by \$4,189,783. This compares to an increase reported for the prior fiscal year (2009) of \$3,971,533. The net assets of governmental activities are affected by the net results of recording capital assets (net of depreciation) and long-term debt, as well as current year capital outlays and long-term debt principal payments.

The impact on net assets from various types of governmental activities of the District is summarized in the following tables. Table I illustrates the net effect of the aforementioned capital expenditures during the past year. The fact that the amount invested in capital assets, net of related debt, for the current year is relatively small when compared to the gross balance of the underlying assets, illustrates the impact of both accumulated depreciation and outstanding debt balances. It does not mean that the District lacks the necessary economic resources to function effectively and efficiently. This is a reflection of the impact of continuing, steady growth in population and enrollment, and the expansion of services that is required in order to effectively serve a growing student base. Moreover, the healthy increase in unrestricted net assets, previously noted, indicates a continuing improvement in the overall financial position of the District.

Table I
Canyon Independent
School District
NET ASSETS

	Governmental Activities 2009	Governmental Activities 2010	Change from Prior Year
Current and other assets	33,259,436	31,848,038	(1,411,398)
Capital assets	105,665,592	107,429,546	1,763,954
Total assets	138,925,028	139,277,584	352,556
Other liabilities	5,062,850	5,074,757	11,907
Long-term liabilities	99,427,609	95,578,475	(3,849,134)
Total liabilities	104,490,459	100,653,232	(3,837,227)
Net Assets:			
Invested in capital assets net of related debt	6,690,769	12,272,107	5,581,338
Restricted	3,135,080	2,633,827	(501,253)
Unrestricted	24,608,720	23,718,418	(890,302)
Total net assets	34,434,569	38,624,352	4,189,783

Table II illustrates the change in net assets from the perspective of revenues and expenses attributed to the governmental activities of the District. The District receives revenues for its programs and services from fees it charges for services, grants and other contributions from organizations and agencies outside the District, and from taxes levied by the Board of Trustees. In addition, the District receives a substantial part of its total annual revenue from the Foundation School Fund of Texas. Overall, revenues to the District increased by 5.66% from the previous year. The majority of this increase in revenues is a result of increased student enrollment, however interest rates continued to decrease causing interest income to decrease once again in the current fiscal year by \$447 thousand.

Total expenses increased by \$3.092 million or 4.65% from the prior year, as shown in the accompanying table. Increased operational costs of additional staff, increased salary costs and construction cost accounted for the majority of the increase in non-debt related costs.

Table II is followed by a chart that depicts the change from the prior year in both total and net cost of services provided by the District. By way of explanation, net cost of a service is the total actual cost of that service less any revenues or proceeds received from charges or fees, or operating grants and other contributions. The District receives both state and federal grants in each year for a variety of programs and services, such as Title I, IDEA, and Child Nutrition Programs. Most of these funds are recorded in what is referred to as “special revenue” funds, but a small amount is also recorded in the District’s General Fund. In addition to state and federal grants, the District charges fees for some of its activities. These fees are primarily related to food service operations as well as to athletic contests and events sponsored by the District during the year.

Table II
Canyon Independent School District

CHANGES IN NET ASSETS

	Governmental Activities 2009	Governmental Activities 2010	Change from Prior Year
Revenues:			
Program Revenues:			
Charges for Services	2,323,552	2,367,359	43,807
Operating grants and contributions	7,766,003	10,689,583	2,923,580
General Revenues:			
Maintenance and operations taxes	28,514,823	30,630,330	2,115,507
Debt service taxes	6,854,434	7,347,975	493,541
State aid - formula grants	23,081,054	21,721,766	(1,359,288)
Grants & Contributions not Restricted			-
Investment Earnings	656,925	210,248	(446,677)
Miscellaneous	767,470	963,191	195,721
Special Item - Deed of Land and Road	-	(260,444)	(260,444)
Sale of Assets	-	71,504	71,504
Total Revenue	69,964,261	73,741,512	3,966,191
Expenses:			
Instruction, curriculum, and media services	37,700,487	40,282,337	2,581,850
Instructional and school leadership	4,220,168	4,533,614	313,446
Student support services	2,440,343	2,617,641	177,298
Student transportation	1,904,871	1,971,063	66,192
Child nutrition	3,311,800	3,610,655	298,855
Cocurricular activities	2,102,559	2,077,896	(24,663)
General administration	1,550,174	1,670,781	120,607
Plant maintenance, security & data processing	7,096,251	7,621,170	524,919
Community services	111,595	125,246	13,651
Debt services	4,394,858	4,240,287	(154,571)
Facilities, acquisition, construction	1,151,976	305,496	(846,480)
Facilities, acquisition, construction	474,656	495,543	20,887
Total Expenses	66,459,738	69,551,729	3,091,991
Increase/(decrease) in net assets before transfers and special items	3,504,523	4,189,783	685,260
Transfers	-	-	-
Net assets at Prior FYE	30,463,036	34,434,569	3,971,533
Prior Period Adjustment	467,010	-	(467,010)
Net assets at Audit FYE	34,434,569	38,624,352	4,189,783

The table that follows depicts the annual change in total and net cost of services. As with the previous table, the full cost of providing these services is reflected. Thus depreciation expense is allocated to most of the functions shown, and interest on long-term debt is likewise included. The percentage changes illustrate the impact of rising cost of services in critical functional areas resulting from continued growth in student enrollment (see previous discussion). These costs include not only the cost associated with maintaining a current level of effort, but also the incremental cost associated with opening and operating new facilities.

Expenditure Function By Category	Total Cost Of Services		Pct. Chg.	Net Cost Of Services		Pct. Chg.
	Prior FYE	Audit FYE		Prior FYE	Audit FYE	
	Instruction Related	37,700,487		40,282,337	6.85%	
Curriculum/School Leadership	4,220,168	4,533,614	7.43%	3,903,826	3,927,151	0.60%
Counseling/Health Services	2,440,343	2,617,641	7.27%	1,863,935	1,942,421	4.21%
Student Transportation	1,904,871	1,971,063	3.47%	1,828,987	1,827,433	-0.08%
Food Services	3,311,800	3,610,655	9.02%	75,173	113,101	50.45%
Co-Curricular Activities	2,102,559	2,077,896	-1.17%	1,815,293	1,803,508	-0.65%
General Administration	1,550,174	1,670,781	7.78%	1,448,791	1,521,243	5.00%
Plant Maintenance, Operations & Security	6,304,161	6,739,992	6.91%	6,072,804	6,476,515	6.65%
Data Processing	792,090	881,178	11.25%	778,099	570,554	-26.67%
Community Services	111,595	125,246	12.23%	80,449	15,967	-80.15%
Interest on Long Term Debt	4,394,858	4,240,287	-3.52%	4,394,858	4,240,287	-3.52%
Facilities	1,151,976	305,496	-73.48%	1,151,976	305,496	-73.48%
Other Governmental Charges	474,656	495,543	4.40%	474,656	495,543	4.40%
Total	66,459,737	69,551,729	4.65%	56,370,182	56,494,786	0.22%

Canyon ISD's local property values continue to grow at an annual pace greater than 6% per year. An unfortunate consequence of the Texas public school funding system is that a district such as Canyon ISD is forced each year to assume a greater share of the burden of the cost of education in the district because as local values increase, then state funding decreases a proportional amount.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds as presented in the balance sheet contained in the auditors' report shows a combined fund balance of \$25.073 million, as compared to \$26.564 million reported in the prior year. Of the \$1.491 million decrease in combined fund balance, \$1.181 million was decreased in the general fund, \$302 thousand was increased in the debt service fund, and the remaining \$612 thousand was a decrease in other funds including food service and Capital Projects. Based on current monthly cash flow levels in the 2010 budget, the District's General Fund balance of \$22,167,008 represents a reserve of about 5 months.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the District had a total of \$152.287 million, before accumulated depreciation, invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. Total capital assets increased by \$5.321 million, or 3.62%, from the prior fiscal year, due to equipment purchases, facility improvements and the construction of the District Support Center.

The capitalization threshold for the District is \$5,000. Assets of the District are categorized in general categories of land, buildings, equipment, and construction in progress. A summary of the total Capital Assets of the District allocated to governmental activities is shown in the table below.

Asset Category	Capital Assets		Percentage Change
	Governmental Activities		
	Fiscal Year 2009	Fiscal Year 2010	2009 to 2010
Land	3,987,796	3,987,796	0.00%
Buildings and Improvements	133,498,763	138,261,412	3.57%
Equipment	9,141,321	10,038,088	9.81%
Construction In Progress	338,841	-	-100.00%
Total	146,966,721	152,287,296	3.62%

The amounts shown in the above table include additions and retirements that occurred during the year under audit. The District's comprehensive financial management software system includes a module for tracking, calculating, and posting depreciation expense. More detailed information about the District's capital assets, including a detail of current and accumulated depreciation, is presented in Note II-F to the financial statements.

Debt

At year-end, the District had \$88.559 million in bonds and notes outstanding, compared to \$92.432 million at the end of last fiscal year, which is an decrease of \$3.873 million overall. The following table summarizes the District's long-term debt obligations at the end of the fiscal year:

Description of Debt	Outstanding Principal at Fiscal Year End		Change From Prior FYE	
	2009	2010	Amount	Percent
Series 2004 Maintenance Tax Notes	1,880,000	1,435,000	(445,000)	-23.67%
Series 2002 School Building ULT Bonds	1,050,000	720,000	(330,000)	-31.43%
Series 2002-A ULT R&I – General Obligation	10,567,275	8,514,442	(2,052,833)	-19.43%
Series 2007-R ULT Refunding Bonds	49,944,967	49,629,967	(315,000)	-.63%
2007 Series School Building ULT Bonds	28,990,000	28,260,000	(730,000)	-2.52%
Total Outstanding Debt at FYE	92,432,242	88,559,409	(3,872,833)	-4.19%

The District's total outstanding debt as of 08/31/10 includes an outstanding principal balance of \$1,435,000 in Notes and Obligations that are payable from a lien on and pledge of any available funds of the District, including the receipts from a tax levied in the District for the maintenance and operation of the District's school system. The total outstanding debt of the District currently also includes \$87,124,409 of the principal amount of General Obligation bonds of the District. These bonds are payable from the interest and sinking ad valorem tax levied by the District and Existing Debt Allotment funding assistance from the State of Texas. The interest and sinking ad valorem tax rate for 2010 is \$.25. The District's bonds are rated "AAA" by both Standard & Poor's Ratings Services and Fitch Inc. This rating is obtained by virtue of the guarantee of the Permanent School Fund of the State of Texas. The underlying credit ratings for the District are "AA" by Standard & Poor's and "AA" by Fitch.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees adopted a General Fund Budget for FY 2011 of \$55.516 million in expenditures. The current budget represents a decrease of \$2.968 million over the FY 2010 final amended budget of \$58.484 million in expenditures, due to a transfer of expenditures to State Fiscal Stabilization Fund and the reduction of capital improvements as a result of the completion of the District Support Center. The overall budget for 2011 reflects the current pattern of growth in the District, both in terms of student population and the instructional staff necessary to serve that growing population. As was the case in FY 2010, the budget for 2011 reflects a continuing effort by the District to remain competitive in the area of teacher salaries as it deals with a growing student population, continue necessary facility improvements, and continue to upgrade the District's technology. A summary of the District's total budget commitments for 2011 are shown in the following table:

	FYE 2010	FYE 2011	Chg. In \$	Chg. As %
<u>REVENUES</u>				
General Fund	55,016,721	55,695,985	679,264	1.23%
Food Services	3,453,500	3,336,400	(117,100)	-3.39%
Debt Service Fund	7,541,624	7,540,555	(1,069)	-0.01%
TOTAL	66,011,845	66,572,940	561,095	0.85%
<u>EXPENDITURES</u>				
General Fund	58,484,962	55,516,065	(2,968,897)	-5.08%
Food Services	3,453,500	3,336,400	(117,100)	-3.39%
Debt Service Fund	7,541,624	7,540,555	(1,069)	-0.01%
TOTAL	69,480,086	66,393,020	(3,087,066)	-4.44%
Surplus/(Deficit)	(3,468,241)	179,920		

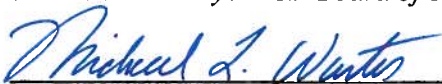
The 2011 budget reflects no change in property tax rate for maintenance and operations, and no change for the interest and sinking tax rate. An unfortunate consequence of the complex funding system for public education in Texas is that an increase in local property value does not automatically increase the capacity for increased revenues; moreover, the opposite is usually true as local districts seeing annual increases in property values receive less and less state funding.

PROPERTY TAX RATES IN CANYON ISD					
	Tax Year 2007	Tax Year 2008	Tax Year 2009	Tax Year 2010	Tax Year 2011
M&O Rate	1.32780	1.04	1.04	1.04	1.04
I & S Rate	0.18202	.25	.25	.25	.25
Total Rate	1.50980	1.29	1.29	1.29	1.29

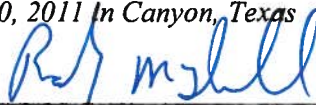
CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to 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 Finance and Business Department at: Canyon Independent School District, 3301 N. 23rd St., Canyon, Texas, 79015. The telephone number for the District's financial offices is 806.677.2600. Also, please feel free to visit the District's website at www.canyonisd.net to learn more about the Canyon Independent School District and its programs and services.

Submitted to Canyon ISD Board of Trustees on January 10, 2011 in Canyon, Texas



Michael L. Wartes
Superintendent



Randy McDowell
Assistant Superintendent of Business and Operations

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 15,261,264
1120 Current Investments	13,504,491
1210 Property Taxes - Current	897,021
1230 Allowance for Uncollectible Taxes	(336,624)
1240 Due from Other Governments	1,099,285
1250 Accrued Interest	11,482
1267 Due from Fiduciary Funds	27,327
1290 Other Receivables, net	439,700
1300 Inventories	418,011
1410 Deferred Expenses	105,045
1420 Capitalized Bond and Other Debt Issuance Costs	421,036
Capital Assets:	
1510 Land	3,987,796
1520 Buildings, Net	100,254,446
1530 Furniture and Equipment, Net	3,187,304
1000 Total Assets	139,277,584
LIABILITIES	
2110 Accounts Payable	447,638
2140 Interest Payable	191,703
2150 Payroll Deductions & Withholdings	723,871
2160 Accrued Wages Payable	2,009,629
2180 Due to Other Governments	1,533,065
2300 Deferred Revenues	168,851
Noncurrent Liabilities	
2501 Due Within One Year	3,933,166
2502 Due in More Than One Year	91,645,309
2000 Total Liabilities	100,653,232
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	12,272,107
3820 Restricted for Federal and State Programs	774,399
3850 Restricted for Debt Service	1,801,107
3860 Restricted for Capital Projects	58,321
3900 Unrestricted Net Assets	23,718,418
3000 Total Net Assets	\$ 38,624,352

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 38,137,332	\$ 68,467	\$ 6,212,591	\$ (31,856,274)
12 Instructional Resources and Media Services	1,363,672	-	90,307	(1,273,365)
13 Curriculum and Staff Development	781,333	-	655,404	(125,929)
21 Instructional Leadership	876,995	-	434,565	(442,430)
23 School Leadership	3,656,619	-	171,898	(3,484,721)
31 Guidance, Counseling and Evaluation Services	1,970,024	-	332,740	(1,637,284)
33 Health Services	647,617	-	342,480	(305,137)
34 Student (Pupil) Transportation	1,971,063	-	143,630	(1,827,433)
35 Food Services	3,610,655	1,983,396	1,514,158	(113,101)
36 Extracurricular Activities	2,077,896	224,168	50,220	(1,803,508)
41 General Administration	1,670,781	-	149,538	(1,521,243)
51 Plant Maintenance and Operations	6,615,087	91,328	172,149	(6,351,610)
52 Security and Monitoring Services	124,905	-	-	(124,905)
53 Data Processing Services	881,178	-	310,624	(570,554)
61 Community Services	125,246	-	109,279	(15,967)
72 Debt Service - Interest on Long Term Debt	4,236,187	-	-	(4,236,187)
73 Debt Service - Bond Issuance Cost and Fees	4,100	-	-	(4,100)
81 Capital Outlay	305,496	-	-	(305,496)
99 Other Intergovernmental Charges	495,543	-	-	(495,543)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 69,551,729	\$ 2,367,359	\$ 10,689,583	(56,494,787)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		30,630,330
DT	Property Taxes, Levied for Debt Service		7,347,975
SF	State Aid - Formula Grants		21,721,766
IE	Investment Earnings		210,248
MI	Miscellaneous Local and Intermediate Revenue		963,191
S2	Special Item - Deed of Land and Road		(260,444)
FR	Sale of Assets		71,504
TR	Total General Revenues, Special Items, and Transfers		60,684,570
CN	Change in Net Assets		4,189,783
NB	Net Assets--Beginning		34,434,569
NE	Net Assets--Ending		\$ 38,624,352

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

FUND FINANCIAL STATEMENTS

CANYON 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	\$ 12,971,643	\$ 200,716	\$ 1,231,290	\$ 14,403,649
1120	12,000,000	1,504,491	-	13,504,491
1210	778,299	118,722	-	897,021
1230	(292,192)	(44,432)	-	(336,624)
1240	45,440	20,702	1,033,143	1,099,285
1250	10,574	908	-	11,482
1260	1,015,825	-	-	1,015,825
1290	203,912	-	100,523	304,435
1300	418,011	-	-	418,011
1410	104,122	-	923	105,045
1000	<u>\$ 27,255,634</u>	<u>\$ 1,801,107</u>	<u>\$ 2,365,879</u>	<u>\$ 31,422,620</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	\$ 318,306	\$ -	\$ 47,381	\$ 365,687
2150	723,871	-	-	723,871
2160	2,009,629	-	-	2,009,629
2170	183	5,191	983,307	988,681
2180	1,530,261	-	2,804	1,533,065
2300	506,376	74,289	148,215	728,880
2000	<u>5,088,626</u>	<u>79,480</u>	<u>1,181,707</u>	<u>6,349,813</u>
Fund Balances:				
Reserved For:				
3410	418,011	-	-	418,011
3420	-	1,721,627	-	1,721,627
3430	104,122	-	-	104,122
3450	-	-	468,386	468,386
Unreserved Designated For:				
3510	3,725,000	-	-	3,725,000
3530	1,076,000	-	-	1,076,000
3590	3,025,000	-	-	3,025,000
Unreserved and Undesignated:				
3600	13,818,875	-	-	13,818,875
3610	-	-	661,060	661,060
3620	-	-	54,726	54,726
3000	<u>22,167,008</u>	<u>1,721,627</u>	<u>1,184,172</u>	<u>25,072,807</u>
4000	<u>\$ 27,255,634</u>	<u>\$ 1,801,107</u>	<u>\$ 2,365,879</u>	<u>\$ 31,422,620</u>

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

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

Total Fund Balances - Governmental Funds	\$	25,072,807
1 The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.		911,112
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 \$146,966,722 and the accumulated depreciation was \$41,301,130. 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 net assets.		6,690,769
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 net assets.		9,422,545
4 Retirement of accreted interest is shown as an expenditure on the fund financial statements, but is a reduction of the related liability on the government-wide financial statements. In addition, the accretion of interest on unmatured capital appreciation bonds is not included on the fund financial statements, but is included as an expense on the government-wide financial statements. The net effect of the accreted interest is to reduce net assets.		(149,389)
5 The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(3,785,757)
6 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, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		462,265
19 Net Assets of Governmental Activities	\$	38,624,352

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

CANYON 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	\$ 31,767,248	\$ 7,429,405	\$ 2,322,028	\$ 41,518,681
5800	State Program Revenues	23,766,418	413,350	399,989	24,579,757
5900	Federal Program Revenues	385,165	-	7,418,577	7,803,742
5020	Total Revenues	55,918,831	7,842,755	10,140,594	73,902,180
EXPENDITURES:					
Current:					
0011	Instruction	31,491,193	-	4,663,641	36,154,834
0012	Instructional Resources and Media Services	1,141,547	-	124,940	1,266,487
0013	Curriculum and Instructional Staff Development	115,790	-	653,865	769,655
0021	Instructional Leadership	483,096	-	392,354	875,450
0023	School Leadership	3,382,932	-	74,429	3,457,361
0031	Guidance, Counseling and Evaluation Services	1,613,922	-	242,493	1,856,415
0033	Health Services	595,363	-	16,338	611,701
0034	Student (Pupil) Transportation	1,948,509	-	70,442	2,018,951
0035	Food Services	56,196	-	3,343,357	3,399,553
0036	Extracurricular Activities	1,887,467	-	8,254	1,895,721
0041	General Administration	1,640,436	-	13,801	1,654,237
0051	Facilities Maintenance and Operations	6,722,073	-	-	6,722,073
0052	Security and Monitoring Services	124,905	-	-	124,905
0053	Data Processing Services	711,513	-	295,705	1,007,218
0061	Community Services	55,173	-	105,186	160,359
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	445,000	3,427,834	-	3,872,834
0072	Debt Service - Interest on Long Term Debt	72,101	4,108,790	-	4,180,891
0073	Debt Service - Bond Issuance Cost and Fees	-	4,100	-	4,100
Capital Outlay:					
0081	Facilities Acquisition and Construction	3,862,059	-	813,944	4,676,003
Intergovernmental:					
0099	Other Intergovernmental Charges	495,543	-	-	495,543
6030	Total Expenditures	56,844,818	7,540,724	10,818,749	75,204,291
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(925,987)	302,031	(678,155)	(1,302,111)
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	5,615	-	-	5,615
7989	Other Nonoperating Revenue	-	-	65,889	65,889
7080	Total Other Financing Sources (Uses)	5,615	-	65,889	71,504
SPECIAL ITEMS:					
8912	Special Item - Deed of Land and Road	(260,444)	-	-	(260,444)
1200	Net Change in Fund Balances	(1,180,816)	302,031	(612,266)	(1,491,051)
0100	Fund Balance - September 1 (Beginning)	23,347,824	1,419,596	1,796,438	26,563,858
3000	Fund Balance - August 31 (Ending)	\$ 22,167,008	\$ 1,721,627	\$ 1,184,172	\$ 25,072,807

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

CANYON 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	\$	(1,491,051)
The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.		71,070
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 net assets.		9,422,545
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.		(3,785,757)
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, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		(27,024)
Change in Net Assets of Governmental Activities	\$	4,189,783

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

CANYON INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 AUGUST 31, 2010

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 857,615
Due from Other Funds	183
Other Receivables	<u>135,265</u>
Total Assets	<u>993,063</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>81,951</u>
Total Liabilities	<u>81,951</u>
NET ASSETS	
Unrestricted Net Assets	<u>911,112</u>
Total Net Assets	<u><u>\$ 911,112</u></u>

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

CANYON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

	Governmental Activities
	-
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 656,589
Total Operating Revenues	656,589
OPERATING EXPENSES:	
Professional and Contracted Services	585,519
Total Operating Expenses	585,519
Operating Income	71,070
Total Net Assets - September 1 (Beginning)	840,042
Total Net Assets - August 31 (Ending)	\$ 911,112

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

CANYON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

	Governmental Activities
	-
	Total
	Internal
	Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 14,604
Cash Received from Assessments - Other Funds	649,340
Cash Payments for Insurance Claims	(604,695)
Net Cash Provided by Operating Activities	<u>59,249</u>
Net Increase in Cash and Cash Equivalents	59,249
Cash and Cash Equivalents at Beginning of the Year:	<u>798,366</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 857,615</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u> Provided by Operating Activities:</u>	
Operating Income:	\$ 71,070
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	7,355
Increase (decrease) in Accounts Payable	(19,176)
Net Cash Provided by Operating Activities	<u>\$ 59,249</u>

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

CANYON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2010

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 2,788	\$ 398,682
Other Receivables	-	29,167
Total Assets	2,788	\$ 427,849
LIABILITIES		
Accounts Payable	-	\$ 33,702
Due to Other Funds	-	27,327
Due to Other Governments	-	83,099
Due to Student Groups	-	283,721
Total Liabilities	-	\$ 427,849
NET ASSETS		
Restricted for Other Purposes	2,788	
Total Net Assets	\$ 2,788	

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

NOTES TO THE FINANCIAL STATEMENTS

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

I. Summary of Significant Accounting Policies:

Canyon 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 accounting principles generally accepted in the United States of America 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

Because the Board of Trustees (the "Board") is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "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.

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

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 Canyon Independent School District non-fiduciary activities with the applicable inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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 a 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.

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

I. Summary of Significant Accounting Policies (continued):

B. Government-Wide and Fund Financial Statements (continued)

Inter-fund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance. All inter-fund transactions between governmental funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

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. 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 expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

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

I. Summary of Significant Accounting Policies (continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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 Proprietary Funds and 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 types:

Governmental Funds:

- 1. Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital assets acquisitions are accounted for in a capital projects fund.

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

I. Summary of Significant Accounting Policies (continued):

D. Fund Accounting (continued)

Additionally, the District reports the following fund types (continued):

Governmental Funds (continued):

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

Proprietary Fund:

- 1. Internal Service Fund** - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in internal service funds. The District's Internal Service Funds are the Cafeteria Plan Fund and Self-Insured Worker's Compensation Fund.

Fiduciary Funds:

- 1. Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the Student Activity Fund, the textbook waiver refunds fund, and the central office agency fund. Financial resources for the agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees.
- 2. Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that the principal be expended for a specific purpose in a private purpose trust fund. The District's private purpose trust fund is for a District baseball field.

E. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, the Child Nutrition Program (which is included in the Special Revenue Funds), and the Debt Service Fund. At a minimum, the District is required to present the adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for these three funds. These comparisons are on Exhibits G-1, J-4 and J-5, respectively.

The following procedures are followed in establishing the budgetary data reflected in the basic 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.

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

I. Summary of Significant Accounting Policies (continued):

E. Budgetary Data (continued)

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 District's administration at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.

F. Other Accounting Policies

1. The Data Control Codes refer to the account code structure prescribed by the TEA in the Financial Accountability System Resource Guide. The 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.
2. The District records purchases of supplies as expenditures. If a material amount of supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount. At August 31, 2010, the amount of supplies on hand is \$418,011.
3. For purposes of the statement of cash flows for proprietary fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
4. The amounts on the statements have been rounded individually, consequently, some columns may not total and some schedules may not agree because of this rounding.
5. The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
6. The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year 2010, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

7. Unreserved undesignated fund equity for governmental funds indicates available amounts for the budgeting of future operations. The unreserved designated fund equity for governmental funds indicates unreserved funds that have been earmarked by Board Resolution for specific purposes and are therefore not available for general expenditures to be appropriated in the following period unless amended by future Board action. Reserved fund balance is that portion of fund equity which is not available for appropriation or which has been legally separated for specific purposes. As of August 31, 2010, Reserved Fund balance includes \$468,386 for food services, \$418,011 for inventory, \$104,122 for prepaid items, and \$1,721,627 for debt service. Designated fund balance includes \$3,725,000 for construction, \$1,076,000 for capital expenditures for equipment, and \$3,025,000 for other purposes.
8. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
9. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.
10. Employees of the District are entitled to paid vacation and paid sick days depending on job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the costs of compensated absences when actually paid to employees.
11. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental column 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.

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

I. Summary of Significant Accounting Policies (continued):

F. Other Accounting Policies (continued)

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-65
Building improvements	20
Infrastructure	50
Vehicles, office equipment and computer equipment	5-10

12. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. If material, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. 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. 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.

13. On the government-wide financial statements, the restricted net assets for capital projects and debt service are as follows:

Restricted for capital projects:

Fund balance	\$ 54,726
Interfund due to other funds	3,595
Net assets restricted for capital projects	<u>\$ 58,321</u>

Restricted for debt service:

Fund balance	\$ 1,721,627
Deferred property taxes	74,289
Interfund due to other funds	5,191
Net assets restricted for debt service	<u>\$ 1,801,107</u>

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

II. Detailed Notes on All Funds and Account Groups:

A. Cash and Investments

Legal and Contractual Provisions Governing Deposits and Investments

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 the District 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 District 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 District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit policy. That policy addresses the following risks:

a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District is not exposed to custodial credit risk for its deposits as all are covered by depository insurance and pledged securities.

b. Interest-rate Risk - Interest rate risk arises from investments in debt instruments and is defined as "the risk that changes in interest rates will adversely affect the fair value of an investment." The District has a policy of investing in short term investments.

c. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District invests in Lone Star and TexPool investment pools that are on demand investments or in certificate of deposits that are insured by FDIC. TexPool and Lone Star investments are considered cash and cash equivalents in the financial statements.

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

II. Detailed Notes on All Funds and Account Groups (continued):

A. Deposits and Investments (continued)

The District's investments were as followed:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Credit Ratings</u>
Lone Star Investment Pool:			
Corporate Overnight Plus Fund	\$ 5,245,037	\$ 5,245,037	AAAf
Government Overnight Fund	112,265	112,265	AAAm
TexPool:			
Prime Fund	8,858,593	8,858,593	AAAm
Local Government Fund	93,723	93,723	AAAm
CDARS (certificates of deposit)	13,504,491	13,504,491	N/A
	<u>\$ 27,814,109</u>	<u>\$ 27,814,109</u>	

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

C. Deferred Revenues

Deferred revenues at year-end in the fund financial statements consisted of the following:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total</u>
Property taxes	\$ 486,107	\$ 74,289	\$ -	\$ 560,396
Other	5,212	-	148,215	153,427
Student Fees	15,057	-	-	15,057
Totals	<u>\$ 506,376</u>	<u>\$ 74,289</u>	<u>\$ 148,215</u>	<u>\$ 728,880</u>

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

II. Detailed Notes on All Funds and Account Groups (continued):

D. 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 taxes receivable within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off, as required by statutory authority from the Texas Legislature.

E. Capital Asset Activity

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

	<u>Balance 9/1/09</u>	<u>Additions</u>	<u>Adjustment/ Retirement</u>	<u>Balance 8/31/10</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 3,987,796	\$ -	\$ -	\$ 3,987,796
Capital assets, being depreciated				
Buildings and improvements	133,498,763	4,812,840	(50,191)	138,261,412
Furniture and equipment	9,141,321	1,125,903	(229,136)	10,038,088
Construction in Progress	338,841	-	(338,841)	-
Total capital assets being depreciated	<u>142,978,925</u>	<u>5,938,743</u>	<u>(618,168)</u>	<u>148,299,500</u>
Less: Accumulated depreciation for:				
Buildings and improvements	34,943,962	3,063,004	-	38,006,966
Furniture and equipment	6,357,167	722,753	(229,136)	6,850,784
Total accumulated depreciation	<u>41,301,129</u>	<u>3,785,757</u>	<u>(229,136)</u>	<u>44,857,750</u>
Total capital assts, being depreciated, net	<u>101,677,796</u>	<u>2,152,986</u>	<u>(389,032)</u>	<u>103,441,750</u>
Governmental activities capital assets, net	<u>\$ 105,665,592</u>	<u>\$ 2,152,986</u>	<u>\$ (389,032)</u>	<u>\$ 107,429,546</u>

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

II. Detailed Notes on All Funds and Account Groups (continued):

E. Capital Asset Activity (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 2,271,252
Instructional Resources and Media Services	97,885
Curriculum and Instruction Staff Development	12,054
Instructional and School Leadership	203,339
Guidance, Counseling and Evaluation Services	114,938
Health Services	36,302
Student (Pupil) Transportation	215,927
Food Services	219,253
Extracurricular Activities	182,749
General Administration	17,289
Plant Maintenance and Operations	63,743
Data Processing Services	335,183
Facilities Acquisition and Construction	<u>15,843</u>
 Total Depreciation Expense	 <u><u>\$ 3,785,757</u></u>

F. Cafeteria Plan

During the year ended August 31, 2010, the District offered a cafeteria plan meeting the requirements of Section 125 of the Internal Revenue Code to all full-time employees. Under the cafeteria plan participants designate a portion of their salary to be contributed to the cafeteria plan to pay for selected unreimbursed expenses. Eligible unreimbursed expenses include medical expenses, child and dependent care costs, term life insurance costs, health insurance costs, cancer insurance cost and dental expenses. By contributing to the cafeteria plan, employees can receive certain income tax benefits. The results of the cafeteria plan are being reported in the Internal Service Fund.

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

II. Detailed Notes on All Funds and Account Groups (continued):

G. Bonds Payable

A summary of changes in bonds payable for the year ended August 31, 2010, is as follows:

	<u>Interest Rate Payable</u>	<u>Original Amount</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding 9/1/09</u>	<u>New Issuance & Accrued Interest</u>	<u>Retired</u>	<u>Payable Amounts Outstanding 8/31/10</u>
School Building							
Unlimited Tax	5.00% to						
Bonds 2002 Series	6.50%	\$ 16,500,000	\$ 55,675	\$ 1,050,000	\$ -	\$ 330,000	\$ 720,000
General Obligation							
Bonds 2002-A Series (CIB)	3.0% to 5.50%	45,155,000	144,700	4,100,000	-	965,000	3,135,000
Bonds 2002-A Series (CAB)	3.0% to 5.50%	13,283,921	362,167	6,467,275	-	1,087,833	5,379,442
Maintenance Tax							
Notes 2004 Series	4.35%	2,370,000	72,101	1,880,000	-	445,000	1,435,000
General Obligation							
Unlimited Tax							
Refunding Bonds							
Series 2007	4.0% to						
CAB	4.50%	549,967	-	549,967	-	-	549,967
Series 2007	4.0% to						
CIB	4.50%	49,985,000	2,172,237	49,395,000	-	315,000	49,080,000
School Building	4.25%						
Unlimited Tax	to						
Bonds Series 2007	5.25%	30,365,000	<u>1,374,011</u>	<u>28,990,000</u>	<u>-</u>	<u>730,000</u>	<u>28,260,000</u>
Total			<u>\$ 4,180,891</u>	<u>\$ 92,432,242</u>	<u>\$ -</u>	<u>\$ 3,872,833</u>	<u>\$ 88,559,409</u>
Accreted interest				<u>\$ 4,917,105</u>	<u>\$ 511,556</u>	<u>\$ 362,167</u>	<u>\$ 5,066,494</u>
Premium on issuance of debt				<u>\$ 2,078,262</u>	<u>\$ -</u>	<u>\$ 125,690</u>	<u>\$ 1,952,572</u>
Debt issuance cost				<u>\$ 452,786</u>	<u>\$ -</u>	<u>\$ 31,750</u>	<u>\$ 421,036</u>

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

II. Detailed Notes on All Funds and Account Groups (continued):

H. Debt Service Requirements

Debt service requirements for bonds and capital lease payable are as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2011	\$ 3,933,166	\$ 4,114,806	\$ 8,047,972
2012	4,003,153	4,039,449	8,042,602
2013	4,074,488	3,961,977	8,036,465
2014	2,514,391	3,913,083	6,427,474
2015	2,533,496	3,893,428	6,426,924
2016-2020	12,185,715	19,967,279	32,152,994
2021-2025	20,745,000	11,487,963	32,232,963
2026-2030	26,200,000	6,137,825	32,337,825
2031-2035	12,370,000	593,756	12,963,756
Total	\$ 88,559,409	\$ 58,109,566	\$ 146,668,975

There are a number of limitations and restrictions contained in the bonds payable. Management believes that the District is in compliance with all significant limitations and restrictions at August 31, 2010.

I. Commitments Under Operating Leases

As of August 31, 2010, the District does not have any operating lease agreements with terms in excess of one year. Rental expenditures for the year ended August 31, 2010, were \$252,602.

J. Interfund Balances and Transfers

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

Due to General Fund	\$ 1,015,825
Due to Debt Service Fund	-
Due to Internal Service Funds	183
Due to Agency Funds	-
Due from General Fund	(183)
Due from Debt Service Fund	(5,191)
Due from Capital Projects Fund	(3,595)
Due from Special Revenue Funds	(979,712)
Due from Agency Funds	(27,327)
	<u>\$ -</u>

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

II. Detailed Notes on All Funds and Account Groups (continued):

J. Interfund Balances and Transfers (continued)

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to move revenues from the General Fund to Special Revenue funds to assist with the payment of expenditures in various special revenue funds. No transfers occurred during the year ended August 31, 2010.

K. Defined Benefit Pension Plan

Plan Description - The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows. (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS'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 law provides for a member contribution rate of 6.4% for fiscal years 2010, 2009, and 2008, and a state contribution rate of 6.644% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period from September through December, 2009 and increased to 6.644% for the period of January through August, 2010. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2010, 2009 and 2008 were \$2,448,655, \$2,296,269 and \$2,205,191, respectively. The District paid additional state contributions for the years ended August 31, 2010, 2009 and 2008 in the amount of \$384,209, \$334,615, and \$292,516, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

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

II. Detailed Notes on All Funds and Account Groups (continued):

L. Health Care Coverage

The District elected to participate in the TRS Active Care Plan that is administered by the Teacher Retirement System of Texas, effective September 1, 2006. The TRS Active Care Plan is a fully funded plan; therefore, the District has no liabilities or claims payable for health insurance as of August 31, 2010. During the year ended August 31, 2010, the District provided medical benefits coverage (the "Plan") to its employees through the Teacher Retirement System (the "TRS"). The Plan was created and is operated under the provisions of the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343) enacted by the 77th Texas Legislature. H.B. 3343 established a new statewide health coverage program for public school employees and their dependents. The TRS began administering the Plan, known as the TRS-ActiveCare, as of September 1, 2002. The Plan includes employees of most small to mid-size districts, charter schools, education service centers, and certain other employees.

Participants in the Plan can choose from several different benefit options, and must meet certain eligibility requirements. Currently, participants must either be an active, contributing to TRS member or must be employed for 10 or more hours each week to be eligible for coverage under the Plan.

Each member district is billed monthly based upon the number of employees participating in the Plan. For the year ended August 31, 2010, total payments to the Plan by the District were \$4,020,364, of which \$2,011,007 was paid by the District's employees, resulting in a net cost to the District for health benefit coverage of \$2,009,357.

According to the Plan's administrator, plan participants retain the risk associated with the Plan, with no risks being transferred or assumed by the TRS, member districts, or by the State of Texas. Additional information pertaining to the Plan can be obtained by contacting the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, by calling the TRS at 1-800-223-8778, or by downloading information from the TRS' website at www.trs.state.tx.us.

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

II. Detailed Notes on All Funds and Account Groups (continued):

M. Revenues from Local and Intermediate Sources

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Property taxes	\$ 30,600,573	\$ 7,349,382	\$ -	\$ -	\$ 37,949,955
Tuition and fees	26,467	-	-	-	26,467
Food sales	-	-	-	1,983,396	1,983,396
Investment income	189,248	18,230	1,824	946	210,248
Rent	91,328	-	-	-	91,328
Gifts and bequests	139,775	-	-	-	139,775
Penalties, interest, and other tax related income	308,635	61,793	-	-	370,428
Co-curricular student activities	224,168	-	-	-	224,168
Other	187,054	-	-	335,862	522,916
Totals	<u>\$ 31,767,248</u>	<u>\$ 7,429,405</u>	<u>\$ 1,824</u>	<u>\$ 2,320,204</u>	<u>\$ 41,518,681</u>

N. Litigation and Contingencies

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2010 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

As of August 31, 2010, the District had no known or threatened pending litigation which would materially affect the District's financial condition.

O. Due from (to) Other Governments

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

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

II. Detailed Notes on All Funds and Account Groups (continued):

O. Due from (to) Other Governments (continued)

	<u>State Entitlements</u>	<u>State and Federal Grants</u>	<u>Local</u>	<u>Total</u>
General Fund	\$ (1,530,261)	\$ -	\$ 45,440	\$ (1,484,821)
Other Funds	(2,804)	1,033,143	-	1,030,339
Debt Service Fund	-	8,700	12,002	20,702
Total	<u>\$ (1,533,065)</u>	<u>\$ 1,041,843</u>	<u>\$ 57,442</u>	<u>\$ (433,780)</u>

P. Disaggregation of Receivables and Payables

Receivables in the fund financial statements at August 31, 2010, were as follows:

	<u>Property Taxes</u>	<u>Due from Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 778,299	\$ 45,440	\$ 1,015,825	\$ 203,912	\$ 2,043,476
Debt Service Fund	118,722	20,702	-	-	139,424
Other Funds	-	1,033,143	-	100,523	1,133,666
Total - Governmental Activities	<u>\$ 897,021</u>	<u>\$ 1,099,285</u>	<u>\$ 1,015,825</u>	<u>\$ 304,435</u>	<u>\$ 3,316,566</u>
Amounts not scheduled for collection during the subsequent year	\$ 336,624	\$ -	\$ -	\$ -	\$ 336,624

Payables in the fund financial statements at August 31, 2010, were as follows:

	<u>Accounts Payable</u>	<u>Due to Other Governments</u>	<u>Due to Other Funds</u>	<u>Salaries and Benefits</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 318,306	\$ 1,530,261	\$ 183	\$ 2,733,500	\$ 4,582,250
Debt Service	-	-	5,191	-	5,191
Capital Projects Fund	-	-	3,595	-	3,595
Other Funds	47,381	2,804	979,712	-	1,029,897
Total - Governmental Activities	<u>\$ 365,687</u>	<u>\$ 1,533,065</u>	<u>\$ 988,681</u>	<u>\$ 2,733,500</u>	<u>\$ 5,620,933</u>

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

II. Detailed Notes on All Funds and Account Groups (continued):

Q. General Fund Federal Source Revenue

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for indirect and other costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA. The District recognized in the General Fund such revenues for the year ended August 31, 2010, from various federal sources as follows:

<u>Program or Source</u>	<u>CFDA #</u>	<u>Amount</u>	<u>Total Grant</u>
Indirect costs:			
ESEA Title I, Part A, Improving			
Basic Programs	84.010A	\$ 14,916	\$ 842,227
ESEA Title I, Part D	84.010A	1,313	114,159
IDEA Part B, Formula	84.027	28,736	1,827,919
Vocational Education - Basic Grant	84.048	1,045	61,812
IDEA Part B, Preschool	84.173	695	59,971
ESEA Title IV, Safe and Drug-Free			
Schools and Communities Act	84.186A	382	20,507
ESEA Title II, Part D, Enhancing			
Education through Technology	84.318	114	9,224
ESEA Title II, Part A, Teacher and Principal			
Training and Recruiting	84.367A	5,838	316,797
ESEA Title II, Part D, Enhancing			
Education through Technology - ARRA	84.386A	76	11,527
ESEA Title I, Part D - ARRA	84.389	791	75,473
IDEA Part B, Formula - ARRA	84.391	10,222	1,581,606
IDEA Part B, Preschool - ARRA	84.392	539	41,116
Title XiV - ARRA State Stabilization	84.394	29,534	2,456,562
ESEA Title I, Part A, Improving			
Basic Programs - ARRA	84.389	3,734	365,923
Total indirect costs		<u>97,935</u>	
School Health and Related Services	N/A	<u>287,230</u>	N/A
Total General Fund Federal Revenues		<u><u>\$ 385,165</u></u>	

R. Risk Management - Workers' Compensation Insurance

On April 1, 2004, the District joined Texas Workers Compensation Solutions (TWCS). TWCS is a modified self-funded workers' compensation program created in accordance with Article 8309h, Section 2.4 of Vernon's Annotated Texas Statutes. It is a member-owned and controlled program for Texas public entities and is governed by a board of trustees made up of members of the program. The program itself is administered and claims are paid and processed by Edwards Risk Management of Marble Falls, Texas.

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

II. Detailed Notes on All Funds and Account Groups (continued):

R. Risk Management - Workers' Compensation Insurance (continued)

Under the program, each entity pays into the pool an amount for fixed costs, which covers the cost of program and claims administration, specific and aggregate stop loss insurance, financial audits, actuarial studies, and loss control programs. The amount of total fixed costs paid by a district is based, in part, on the estimated total payroll of the district for the coverage period. The District paid fixed costs of \$175,690 for the fiscal year ended August 31, 2010. In addition, a maximum loss fund is established for each district. This is an estimate of claims based on the experience of the district. Each district must fund 10% of the maximum loss fund at the beginning of the years. Claims incurred by employees of the district are funded from the maximum loss fund. The maximum loss fund for Canyon Independent School District for year ended August 31, 2010 was \$258,076. As of August 31, 2010, the District had actual paid losses of \$95,545 and has an additional \$25,808 set aside as a loss reserve for claims incurred during that period.

S. Retiree Health Plan

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

Funding Policy – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009, and 2008. Per Texas Insurance Code, Section 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$408,129, \$396,720, and \$381,258, respectively; the active member contributions were \$265,284, \$257,868, and \$247,818, respectively; and the District's contributions were \$224,471, \$218,196, and \$209,692, respectively, which equaled the required contributions each year.

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

II. Detailed Notes on All Funds and Account Groups (continued):

T. Medicare Part D – On-Behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. Payments made on-behalf of the District for the years ended August 31, 2010, 2009, and 2008 were \$102,598, \$90,700, and \$88,736, respectively.

U. Special Item – Deed of Land and Road to the City of Canyon

During the year ended August 31, 2010, the District constructed a new administration building that is located north of Canyon, Texas. During the construction of the building, the District had to extend an existing road to the location of the new administration building. Rather than trying to maintain the road in the future, the District reached an agreement with the City of Canyon whereby the District deeded the road as well as the land that the road is located on to the City of Canyon. The cost of the land and road that was deeded was \$260,444. The District has reported this on the financial statements as a Special Item, because it was under the control of the District's management, but was infrequent in occurrence.

REQUIRED SUPPLEMENTARY INFORMATION

CANYON 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	\$ 31,051,297	\$ 31,165,406	\$ 31,767,248	\$ 601,842
5800	State Program Revenues	25,098,741	23,831,315	23,766,418	(64,897)
5900	Federal Program Revenues	20,000	20,000	385,165	365,165
5020	Total Revenues	56,170,038	55,016,721	55,918,831	902,110
EXPENDITURES:					
Current:					
0011	Instruction	32,118,700	31,770,683	31,491,193	279,490
0012	Instructional Resources and Media Services	1,136,458	1,153,530	1,141,547	11,983
0013	Curriculum and Instructional Staff Development	225,373	179,054	115,790	63,264
0021	Instructional Leadership	848,564	520,107	483,096	37,011
0023	School Leadership	3,435,785	3,434,736	3,382,932	51,804
0031	Guidance, Counseling and Evaluation Services	1,607,034	1,631,119	1,613,922	17,197
0033	Health Services	598,322	600,260	595,363	4,897
0034	Student (Pupil) Transportation	2,294,557	2,160,557	1,948,509	212,048
0035	Food Services	56,500	57,000	56,196	804
0036	Extracurricular Activities	1,921,655	1,953,003	1,887,467	65,536
0041	General Administration	1,631,095	1,642,514	1,640,436	2,078
0051	Facilities Maintenance and Operations	7,127,736	7,035,446	6,722,073	313,373
0052	Security and Monitoring Services	135,465	136,715	124,905	11,810
0053	Data Processing Services	1,211,511	871,510	711,513	159,997
0061	Community Services	66,219	66,219	55,173	11,046
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	445,000	445,000	445,000	-
0072	Debt Service - Interest on Long Term Debt	75,000	75,000	72,101	2,899
0073	Debt Service - Bond Issuance Cost and Fees	2,000	2,000	-	2,000
Capital Outlay:					
0081	Facilities Acquisition and Construction	4,000,000	4,254,945	3,862,059	392,886
Intergovernmental:					
0099	Other Intergovernmental Charges	486,614	495,564	495,543	21
6030	Total Expenditures	59,423,588	58,484,962	56,844,818	1,640,144
1100	Excess (Deficiency) of Revenues Over Expenditures	(3,253,550)	(3,468,241)	(925,987)	2,542,254
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	5,615	5,615
7080	Total Other Financing Sources (Uses)	-	-	5,615	5,615
SPECIAL ITEMS:					
8912	Special Item - Deed of Land and Road	-	-	(260,444)	(260,444)
1200	Net Change in Fund Balances	(3,253,550)	(3,468,241)	(1,180,816)	2,287,425
0100	Fund Balance - September 1 (Beginning)	23,347,824	23,347,824	23,347,824	-
3000	Fund Balance - August 31 (Ending)	\$ 20,094,274	\$ 19,879,583	\$ 22,167,008	\$ 2,287,425

OTHER SUPPLEMENTARY INFORMATION

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2010

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	215 ESEA Title I Part D	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	4,105	-	137,849	8,084
1290	Other Receivables	-	6,020	-	-
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ 4,105</u>	<u>\$ 6,020</u>	<u>\$ 137,849</u>	<u>\$ 8,084</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2170	Due to Other Funds	4,105	6,020	137,849	8,084
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>4,105</u>	<u>6,020</u>	<u>137,849</u>	<u>8,084</u>
Fund Balances:					
Reserved For:					
3450	Food Service/Federal or State Funds Restriction	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3620	Reported in Capital Projects Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,105</u>	<u>\$ 6,020</u>	<u>\$ 137,849</u>	<u>\$ 8,084</u>

216 ESEA Title I Part D ARRA	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	266 Title XIV ARRA State Stabilization
\$ -	\$ -	\$ -	\$ 439,111	\$ -	\$ -	\$ -	\$ -
3,659	269,549	11,405	48,876	1,994	55,384	1,228	302,870
-	-	-	90,185	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,659</u>	<u>\$ 269,549</u>	<u>\$ 11,405</u>	<u>\$ 578,172</u>	<u>\$ 1,994</u>	<u>\$ 55,384</u>	<u>\$ 1,228</u>	<u>\$ 302,870</u>
\$ -	\$ 253	\$ -	\$ 1,475	\$ -	\$ 8,678	\$ -	\$ -
3,659	269,296	11,405	1,609	1,994	46,706	1,228	302,870
-	-	-	-	-	-	-	-
-	-	-	106,702	-	-	-	-
<u>3,659</u>	<u>269,549</u>	<u>11,405</u>	<u>109,786</u>	<u>1,994</u>	<u>55,384</u>	<u>1,228</u>	<u>302,870</u>
-	-	-	468,386	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>468,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,659</u>	<u>\$ 269,549</u>	<u>\$ 11,405</u>	<u>\$ 578,172</u>	<u>\$ 1,994</u>	<u>\$ 55,384</u>	<u>\$ 1,228</u>	<u>\$ 302,870</u>

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2010

Data Control Codes	272 Medicaid Admin. Claim MAC	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	
ASSETS					
1110	Cash and Cash Equivalents	\$ 28,855	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	-	-	130,428	816
1290	Other Receivables	2,112	-	-	-
1410	Deferred Expenditures	-	-	-	923
1000	Total Assets	<u>\$ 30,967</u>	<u>\$ -</u>	<u>\$ 130,428</u>	<u>\$ 1,739</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ 176	\$ -
2170	Due to Other Funds	-	-	130,252	1,739
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>130,428</u>	<u>1,739</u>
Fund Balances:					
Reserved For:					
3450	Food Service/Federal or State Funds Restriction	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	30,967	-	-	-
3620	Reported in Capital Projects Funds	-	-	-	-
3000	Total Fund Balances	<u>30,967</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 30,967</u>	<u>\$ -</u>	<u>\$ 130,428</u>	<u>\$ 1,739</u>

285 ESEA I,A Improving Basic Program	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Local Grants
\$ -	\$ 35,732	\$ -	\$ 49,384	\$ 228,466	\$ 1,825	\$ 197,100	\$ 500
30,180	3,956	22,760	-	-	-	-	-
-	19	-	-	-	-	2,187	-
-	-	-	-	-	-	-	-
<u>\$ 30,180</u>	<u>\$ 39,707</u>	<u>\$ 22,760</u>	<u>\$ 49,384</u>	<u>\$ 228,466</u>	<u>\$ 1,825</u>	<u>\$ 199,287</u>	<u>\$ 500</u>
\$ 44	\$ 19	\$ -	\$ -	\$ -	\$ -	\$ 1,333	\$ -
30,136	-	22,760	-	-	-	-	-
-	-	-	2,804	-	-	-	-
-	39,688	-	-	-	1,825	-	-
<u>30,180</u>	<u>39,707</u>	<u>22,760</u>	<u>2,804</u>	<u>-</u>	<u>1,825</u>	<u>1,333</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	46,580	228,466	-	197,954	500
-	-	-	-	-	-	-	-
-	-	-	46,580	228,466	-	197,954	500
<u>\$ 30,180</u>	<u>\$ 39,707</u>	<u>\$ 22,760</u>	<u>\$ 49,384</u>	<u>\$ 228,466</u>	<u>\$ 1,825</u>	<u>\$ 199,287</u>	<u>\$ 500</u>

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2010

Data Control Codes	481 Drug Prevention Program	482 American Chemical Society Grant	490 Vending Contracts	497 Harrington Foundation Grant	
ASSETS					
1110	Cash and Cash Equivalents	\$ 36,780	\$ -	\$ 118,524	\$ 1,289
1240	Receivables from Other Governments	-	-	-	-
1290	Other Receivables	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ 36,780</u>	<u>\$ -</u>	<u>\$ 118,524</u>	<u>\$ 1,289</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved For:					
3450	Food Service/Federal or State Funds Restriction	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	36,780	-	118,524	1,289
3620	Reported in Capital Projects Funds	-	-	-	-
3000	Total Fund Balances	<u>36,780</u>	<u>-</u>	<u>118,524</u>	<u>1,289</u>
4000	Total Liabilities and Fund Balances	<u>\$ 36,780</u>	<u>\$ -</u>	<u>\$ 118,524</u>	<u>\$ 1,289</u>

Total Nonmajor Special Revenue Funds	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 1,137,566	\$ 93,724	\$ 1,231,290
1,033,143	-	1,033,143
100,523	-	100,523
923	-	923
<u>\$ 2,272,155</u>	<u>\$ 93,724</u>	<u>\$ 2,365,879</u>
\$ 11,978	\$ 35,403	\$ 47,381
979,712	3,595	983,307
2,804	-	2,804
148,215	-	148,215
<u>1,142,709</u>	<u>38,998</u>	<u>1,181,707</u>
468,386	-	468,386
661,060	-	661,060
-	54,726	54,726
<u>1,129,446</u>	<u>54,726</u>	<u>1,184,172</u>
<u>\$ 2,272,155</u>	<u>\$ 93,724</u>	<u>\$ 2,365,879</u>

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	215 ESEA Title I Part D
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	19,521	59,719	745,881
5020	Total Revenues	<u>19,521</u>	<u>59,719</u>	<u>745,881</u>
EXPENDITURES:				
Current:				
0011	Instruction	8,859	59,719	626,027
0012	Instructional Resources and Media Services	-	-	400
0013	Curriculum and Instructional Staff Development	413	-	26,877
0021	Instructional Leadership	10,249	-	38,090
0023	School Leadership	-	-	699
0031	Guidance, Counseling and Evaluation Services	-	-	7,780
0033	Health Services	-	-	-
0034	Student (Pupil) Transportation	-	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0053	Data Processing Services	-	-	-
0061	Community Services	-	-	46,008
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
6030	Total Expenditures	<u>19,521</u>	<u>59,719</u>	<u>745,881</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7989	Other Nonoperating Revenue	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

216 ESEA Title I Part D ARRA	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	266 Title XIV ARRA State Stabilization
\$ -	\$ -	\$ -	\$ 1,984,342	\$ -	\$ -	\$ -	\$ -
-	-	-	18,777	-	-	-	-
41,079	1,493,914	36,117	1,439,185	54,475	302,761	5,136	2,427,028
41,079	1,493,914	36,117	3,442,304	54,475	302,761	5,136	2,427,028
31,284	1,325,971	36,117	-	46,240	66,839	915	1,441,181
-	-	-	-	-	-	-	21,554
4,971	5,453	-	-	4,642	223,139	4,090	316,851
-	-	-	-	3,593	7,578	131	304,194
-	-	-	-	-	5,205	-	-
4,824	162,490	-	-	-	-	-	33,332
-	-	-	-	-	-	-	9,237
-	-	-	-	-	-	-	-
-	-	-	3,343,357	-	-	-	-
-	-	-	-	-	-	-	4,974
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	295,705
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
41,079	1,493,914	36,117	3,343,357	54,475	302,761	5,136	2,427,028
-	-	-	98,947	-	-	-	-
-	-	-	65,889	-	-	-	-
-	-	-	65,889	-	-	-	-
-	-	-	164,836	-	-	-	-
-	-	-	303,550	-	-	-	-
\$ -	\$ -	\$ -	\$ 468,386	\$ -	\$ -	\$ -	\$ -

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	272 Medicaid Admin. Claim MAC	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	11,542	3,966	468,444	20,083
5020 Total Revenues	<u>11,542</u>	<u>3,966</u>	<u>468,444</u>	<u>20,083</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	3,966	439,932	19,283
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	19,961	800
0021 Instructional Leadership	-	-	8,551	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>3,966</u>	<u>468,444</u>	<u>20,083</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,542</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7989 Other Nonoperating Revenue	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	11,542	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>19,425</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 30,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

285 ESEA I,A Improving Basic Program	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 Local Grants
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,211	\$ 500
-	5,321	51,572	246,776	-	77,543	-	-
221,350	-	-	-	-	-	-	-
<u>221,350</u>	<u>5,321</u>	<u>51,572</u>	<u>246,776</u>	<u>-</u>	<u>77,543</u>	<u>262,211</u>	<u>500</u>
104,845	4,878	51,572	210,620	55,566	-	87,934	-
-	-	-	-	-	-	102,986	-
45,936	443	-	-	-	-	289	-
10,739	-	-	-	-	-	-	-
967	-	-	-	-	-	66,332	-
-	-	-	-	-	-	210	-
-	-	-	-	-	7,101	-	-
-	-	-	-	-	70,442	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,280	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
58,863	-	-	-	-	-	315	-
-	-	-	-	-	-	-	-
<u>221,350</u>	<u>5,321</u>	<u>51,572</u>	<u>210,620</u>	<u>55,566</u>	<u>77,543</u>	<u>261,346</u>	<u>-</u>
-	-	-	36,156	(55,566)	-	865	500
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	36,156	(55,566)	-	865	500
-	-	-	10,424	284,032	-	197,089	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,580</u>	<u>\$ 228,466</u>	<u>\$ -</u>	<u>\$ 197,954</u>	<u>\$ 500</u>

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	481 Drug Prevention Program	482 American Chemical Society Grant	490 Vending Contracts	497 Harrington Foundation Grant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 20,000	\$ 7,350	\$ 45,801	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>20,000</u>	<u>7,350</u>	<u>45,801</u>	<u>-</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,250	7,350	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	9,000	-	-	229
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	13,801	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>10,250</u>	<u>7,350</u>	<u>13,801</u>	<u>229</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,750</u>	<u>-</u>	<u>32,000</u>	<u>(229)</u>
OTHER FINANCING SOURCES (USES):				
7989 Other Nonoperating Revenue	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	9,750	-	32,000	(229)
0100 Fund Balance - September 1 (Beginning)	<u>27,030</u>	<u>-</u>	<u>86,524</u>	<u>1,518</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 36,780</u>	<u>\$ -</u>	<u>\$ 118,524</u>	<u>\$ 1,289</u>

Total Nonmajor Special Revenue Funds	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 2,320,204	\$ 1,824	\$ 2,322,028
399,989	-	399,989
7,418,577	-	7,418,577
<u>10,138,770</u>	<u>1,824</u>	<u>10,140,594</u>
4,663,641	-	4,663,641
124,940	-	124,940
653,865	-	653,865
392,354	-	392,354
74,429	-	74,429
242,493	-	242,493
16,338	-	16,338
70,442	-	70,442
3,343,357	-	3,343,357
8,254	-	8,254
13,801	-	13,801
295,705	-	295,705
105,186	-	105,186
-	813,944	813,944
<u>10,004,805</u>	<u>813,944</u>	<u>10,818,749</u>
133,965	(812,120)	(678,155)
65,889	-	65,889
65,889	-	65,889
199,854	(812,120)	(612,266)
929,592	866,846	1,796,438
<u>\$ 1,129,446</u>	<u>\$ 54,726</u>	<u>\$ 1,184,172</u>

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2010

	753 Employee Benefit Fund	755 Public Entity Risk Pool	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 33,674	\$ 823,941	\$ 857,615
Due from Other Funds	183	-	183
Other Receivables	-	135,265	135,265
Total Assets	<u>33,857</u>	<u>959,206</u>	<u>993,063</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	81,951	81,951
Total Liabilities	<u>-</u>	<u>81,951</u>	<u>81,951</u>
NET ASSETS			
Unrestricted Net Assets	<u>33,857</u>	<u>877,255</u>	<u>911,112</u>
Total Net Assets	<u>\$ 33,857</u>	<u>\$ 877,255</u>	<u>\$ 911,112</u>

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2010

	753 Employee Benefit Fund	755 Public Entity Risk Pool	Total Internal Service Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 228,568	\$ 428,021	\$ 656,589
Total Operating Revenues	<u>228,568</u>	<u>428,021</u>	<u>656,589</u>
OPERATING EXPENSES:			
Professional and Contracted Services	<u>227,732</u>	<u>357,787</u>	<u>585,519</u>
Total Operating Expenses	<u>227,732</u>	<u>357,787</u>	<u>585,519</u>
Operating Income	836	70,234	71,070
Total Net Assets - September 1 (Beginning)	<u>33,021</u>	<u>807,021</u>	<u>840,042</u>
Total Net Assets - August 31 (Ending)	<u>\$ 33,857</u>	<u>\$ 877,255</u>	<u>\$ 911,112</u>

CANYON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2010

	753 Employee Benefit Fund	755 Public Entity Risk Pool	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ -	\$ 14,604	\$ 14,604
Cash Received from Assessments - Other Funds	228,436	420,904	649,340
Cash Payments for Insurance Claims	(227,732)	(376,963)	(604,695)
Net Cash Provided by Operating Activities	<u>704</u>	<u>58,545</u>	<u>59,249</u>
Net Increase in Cash and Cash Equivalents	704	58,545	59,249
Cash and Cash Equivalents at Beginning of the Year:	<u>32,970</u>	<u>765,396</u>	<u>798,366</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 33,674</u>	<u>\$ 823,941</u>	<u>\$ 857,615</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating Income:	\$ 836	\$ 70,234	\$ 71,070
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Receivables	(132)	7,487	7,355
Increase (decrease) in Accounts Payable	-	(19,176)	(19,176)
Net Cash Provided by Operating Activities	<u>\$ 704</u>	<u>\$ 58,545</u>	<u>\$ 59,249</u>

REQUIRED TEA SCHEDULES

CANYON 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	Various	Various	\$ Various
2002	1.358950	0.114190	1,564,997,949
2003	1.407790	0.198810	1,699,374,374
2004	1.407790	0.290000	1,798,000,387
2005	1.462460	0.276730	1,975,818,555
2006	1.497500	0.193910	2,119,618,679
2007	1.327800	0.182020	2,311,478,467
2008	1.040000	0.250000	2,612,961,002
2009	1.040000	0.250000	2,877,537,140
2010 (School year under audit)	1.040000	0.250000	3,065,468,149
100 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
\$ 115,286	\$ -	\$ 2,206	\$ 530	\$ (18,070)	\$ 94,480
41,705	-	4,082	343	(12)	37,268
51,940	-	3,305	467	(4,589)	43,579
38,509	-	5,106	1,052	(4,744)	27,607
44,544	-	12,339	2,335	(653)	29,217
80,156	-	27,381	3,546	154	49,383
73,683	-	16,604	2,276	(2,250)	52,553
108,944	-	42,368	10,184	(465)	55,927
424,213	-	238,614	57,359	(9,704)	118,536
-	37,979,479	30,248,568	7,271,290	(71,150)	388,471
<u>\$ 978,980</u>	<u>\$ 37,979,479</u>	<u>\$ 30,600,573</u>	<u>\$ 7,349,382</u>	<u>\$ (111,483)</u>	<u>\$ 897,021</u>

CANYON 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	\$ -	\$ -	\$ 232,932	\$ 957,972	\$ -	\$ -	\$ 1,190,904
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	-	-	44,826	-	44,826
6212	Audit Services	-	-	-	44,000	-	-	44,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	495,543	-	-	-	-	495,543
621X	Other Professional Services	-	-	-	33,530	-	-	33,530
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	250	-	-	250
6240	Contr. Maint. and Repair	-	-	-	-	24,857	-	24,857
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	28,903	-	28,903
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	705	394	-	-	1,099
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	1,538	41,981	69,593	-	113,112
6410	Travel, Subsistence, Stipends	8,863	-	6,362	23,156	-	-	38,381
6420	Ins. and Bonding Costs	-	-	-	49,766	-	-	49,766
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	19,999	-	40,023	32,267	25,556	-	117,845
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 28,862	\$ 495,543	\$ 281,560	\$ 1,183,316	\$ 193,735	\$ -	\$ 2,183,016

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 66,849,622

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 4,778,893
Total Debt & Lease(6500)	(11)	517,101
Plant Maintenance (Function 51, 6100-6400)	(12)	6,573,011
Food (Function 35, 6341 and 6499)	(13)	8,658
Stipends (6413)	(14)	76,211
Column 4 (above) - Total Indirect Cost		1,183,316

SubTotal: 13,137,190

Net Allowed Direct Cost \$ 53,712,432

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 138,261,413
Historical Cost of Building over 50 years old	(16)	\$ 9,854,463
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 10,038,089
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 942,972
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 196,400

(8) NOTE A: \$36,362 in Function 53 expenditures are included in this report on administrative costs.
 \$495,543 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

CANYON INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE 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)		\$ 22,167,008
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 522,133	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	7,826,000	
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.	11,103,214	
6	Estimate of delayed payments from state sources (58xx).	58,145	
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)	957,550	
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		<u>20,467,042</u>
12	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 11)		<u>\$ 1,699,966</u>

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

It is projected that the District will be experiencing budget shortfalls in the coming several years due to the situation of the State of Texas budget. The District projects that additional funding from the State will be severely limited or eliminated with the loss of federal stimulus funds and the current economic situation. The District is planning to use a portion of its fund balance to cover these budget shortfalls.

CANYON 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	\$ 1,897,900	\$ 2,027,900	\$ 1,984,342	\$ (43,558)
5800	State Program Revenues	18,401	18,401	18,777	376
5900	Federal Program Revenues	1,253,199	1,407,199	1,439,185	31,986
5020	Total Revenues	3,169,500	3,453,500	3,442,304	(11,196)
EXPENDITURES:					
0035	Food Services	3,169,500	3,453,500	3,343,357	110,143
6030	Total Expenditures	3,169,500	3,453,500	3,343,357	110,143
1100	Excess (Deficiency) of Revenues Over Expenditures	-	-	98,947	98,947
OTHER FINANCING SOURCES (USES):					
7989	Other Nonoperating Revenue	-	-	65,889	65,889
7080	Total Other Financing Sources (Uses)	-	-	65,889	65,889
1200	Net Change in Fund Balances	-	-	164,836	164,836
0100	Fund Balance - September 1 (Beginning)	303,550	303,550	303,550	-
3000	Fund Balance - August 31 (Ending)	\$ 303,550	\$ 303,550	\$ 468,386	\$ 164,836

CANYON 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	\$ 7,189,624	\$ 7,189,624	\$ 7,429,405	\$ 239,781
5800	State Program Revenues	352,000	352,000	413,350	61,350
5020	Total Revenues	7,541,624	7,541,624	7,842,755	301,131
EXPENDITURES:					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	3,427,834	3,427,834	3,427,834	-
0072	Debt Service - Interest on Long Term Debt	4,108,790	4,108,790	4,108,790	-
0073	Debt Service - Bond Issuance Cost and Fees	5,000	5,000	4,100	900
6030	Total Expenditures	7,541,624	7,541,624	7,540,724	900
1200	Net Change in Fund Balances	-	-	302,031	302,031
0100	Fund Balance - September 1 (Beginning)	1,419,596	1,419,596	1,419,596	-
3000	Fund Balance - August 31 (Ending)	\$ 1,419,596	\$ 1,419,596	\$ 1,721,627	\$ 302,031

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

**Board of Trustees
Canyon Independent School District
Canyon, Texas**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canyon Independent School District (the "District") as of and for the year ended August 31, 2010, which collectively comprise Canyon Independent School District's basic financial statements and 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 Canyon Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Canyon Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Canyon Independent School District's Internal Control over financial reporting.

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

Board of Trustees
Canyon Independent School District
Page two

This report is intended for the information of the District's Trustees, the administration, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Brown, Graham & Company, P.C.

Amarillo, Texas
January 10, 2011



BROWN, GRAHAM & COMPANY

PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

**Board of Trustees
Canyon Independent School District
Canyon, Texas**

Compliance

We have audited Canyon Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended August 31, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Canyon Independent School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Canyon 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 on Canyon Independent School District's compliance with those requirements.

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

Internal Control Over Compliance

Management of Canyon 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 the District's internal control over compliance with 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 Canyon Independent School District's internal control over compliance.

Board of Trustees
Canyon Independent School District
Page two

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 for the information of the District's Trustees, the administration, Texas Education Agency, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

Brown, Graham & Company, P.C.

Amarillo, Texas
January 10, 2011

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

I. Summary of the Auditor's Results:

- a. The type of report issued on the basic financial statements: Unqualified.
- b. No control deficiencies, significant deficiencies, or material weaknesses in internal control were disclosed by the audit of the basic financial statements.
- c. The audit did not disclose any noncompliance which is material to the basic financial statements.
- d. No control deficiencies, significant deficiencies, or material weaknesses in internal control over major programs were disclosed by the audit.
- e. Type of auditor's report on compliance for major programs: Unqualified
- f. Did the audit disclose findings which are required to be reported under Sec. 510(a): No.
- g. Major programs include:

- 84.010A ESEA Title I, Part A - Improving Basic Programs
- 84.010A ESEA Title I, Part D – Improving Basic Programs
- 84.027 IDEA, Part B, Formula
- 84.173 IDEA, Part B, Preschool
- 84.367A ESEA Title II, Part A – Teacher and Principal Training
- 84.389 ESEA, Title I, Part A – Improving Basic Programs - ARRA
- 84.389 ESEA, Title I, Part D – Improving Basic Programs - ARRA
- 84.391 IDEA, Part B, Formula ARRA
- 84.392 IDEA, Part B, Preschool - ARRA
- 84.394 ARRA of 2009 Title XIV, State Fiscal Stabilization Funds

- h. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- i. Low risk auditee: Yes.

II. Findings Relating to the Basic Financial Statements Which are Required to Be Reported in Accordance with *Generally Accepted Government Auditing Standards*:

The audit disclosed no finding required to be reported.

II. Findings Relating to the Federal Awards Required to be Reported in Accordance with *OMB Circular A-133*

The audit disclosed no finding required to be reported.

**CANYON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2010**

There were no control deficiencies, significant deficiencies, material weaknesses, findings or questioned costs in the prior year. Therefore, there is nothing to report on this schedule.

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

There were no control deficiencies, significant deficiencies, material weaknesses, findings or questioned costs reported in the current year; therefore, no corrective action plan is required.

CANYON 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>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10-610101191901	\$ 745,881
ESEA, Title I, Part D - Improving Basic Programs	84.010A	10-610101191901	68,376
Total CFDA Number 84.010A			814,257
IDEA - Part B, Formula	84.027	10-660001191901660	1,493,914
Career and Technical - Basic Grant	84.048	10-10420006191901	54,475
IDEA - Part B, Preschool	84.173	10-661001191901661	36,117
ESEA Title IV, Pt. A - Safe and Drug-Free Schools	84.186A	10-691001191901	19,521
Title II, Part D -Enhancing Ed. Through Technology	84.318	10-630001191901	5,136
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	10-10694501191901	302,761
Title II D Enhancing Ed. Through Technology - ARRA	84.386	10-553001191901	3,966
ESEA, Title I, A - ARRA - Improving Basic Programs	84.389	10-551001191901	221,350
ESEA, Title I, D - ARRA - Improving Basic Programs	84.389	10-551001191901	41,079
Total CFDA Number 84.389			262,429
IDEA, Part B, Formula - ARRA	84.391	10-554001191901	468,444
IDEA, Part B, Preschool - ARRA	84.392	10-555001191901	20,083
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	10-557001191901	2,427,028
Total Passed Through State Department of Education			\$ 5,908,131
TOTAL DEPARTMENT OF EDUCATION			\$ 5,908,131
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	191-901	\$ 59,719
Medicaid Administrative Claiming Program - MAC	93.778	191-901	11,542
Total Passed Through State Department of Education			\$ 71,261
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 71,261
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
School Breakfast Program*	10.553	71400901	\$ 319,130
National School Lunch Program - Cash Assistance*	10.555	71301001	983,071
National School Lunch Prog. - Non-Cash Assistance*	10.555	71301001	136,984
Total CFDA Number 10.555			1,120,055
Total Passed Through the State Department of Agriculture			\$ 1,439,185
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,439,185
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 7,418,577

*Clustered Programs as required by Compliance Supplement March, 2010

Note A - According to the Texas Education Agency's Financial Accountability System Resource Guide (FASRAG), funds received from the School Health and Related Services (SHARS) program of \$287,230 represent reimbursements to the District for school-based health services, which are provided to special education students enrolled in the Medicaid Program, and these revenues are not considered federal financial assistance for inclusion in the Schedule of Expenditures of Federal Awards.

Note B - \$97,935 of indirect costs are not considered federal financial assistance for inclusion in the Schedule of Expenditures of Federal Awards. These indirect costs revenues are reported in the General Fund.

**CANYON INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010**

1. 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.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Private Purpose Trust Fund are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in Special Revenue Funds which are 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 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.

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