

VAN VLECK
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2007



Van Vleck Independent School District
Annual Financial Report
For The Year Ended August 31, 2007

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CERTIFICATE OF BOARD

Van Vleck Independent School District
Name of School District

Matagorda
County

158-906
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, 2007, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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



Financial Section



REED & ASSOCIATES, PC
1717 8th Street, Suite 5
Bay City, Texas 77414

Independent Auditor's Report on Financial Statements

Board of Trustees
Van Vleck Independent School District
302 Fourth Street
Van Vleck, Texas 77482

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Vleck Independent School District as of and for the year ended August 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Van Vleck Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Van Vleck Independent School District as of August 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2007, on our consideration of Van Vleck Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Van Vleck Independent School District's basic financial statements. The accompanying supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Reed & Associates, PC

Reed & Associates, PC
November 15, 2007

Management's Discussion and Analysis

This discussion and analysis of the Van Vleck Independent School District's financial statements provides a narrative overview of the District's financial activities for the fiscal year ended August 31, 2007. The information presented here should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Van Vleck Independent School District's finances in a manner similar to private sector business. They present the financial picture of the District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets over time may serve as a useful indicator of whether the financial position of Van Vleck Independent School District is improving or deteriorating.

The *statement of activities* presents information showing how the district's net assets changed during the most recent fiscal year using full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Van Vleck Independent School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *current sources and uses of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic governmental funds financial statements can be found on pages 12 through 15 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the district. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statements can be found on pages 16 through 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 27 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

Required supplementary information can be found on pages 28 through 30 of this report.

District-wide Financial Analysis

The District's net assets at August 31, 2007 and 2006 are summarized as follows:

VAN VLECK INDEPENDENT SCHOOL DISTRICT'S NET ASSETS

	Governmental Activities		Variance
	8/31/2007	8/31/2006	
Current and other assets	\$ 4,099,263	\$ 4,166,753	\$ (67,490)
Capital assets	4,522,833	4,559,696	(36,863)
Total assets	<u>8,622,096</u>	<u>8,726,449</u>	<u>(104,353)</u>
Other liabilities	771,311	746,763	24,548
Long-term liabilities outstanding	<u>1,225,000</u>	<u>1,542,400</u>	<u>(317,400)</u>
Total liabilities	<u>1,996,311</u>	<u>2,289,163</u>	<u>(292,852)</u>
Net assets:			
Invested in capital assets, net of related debt	3,297,833	3,017,296	280,537
Restricted	251,382	156,762	94,620
Unrestricted	<u>3,076,570</u>	<u>3,263,228</u>	<u>(186,658)</u>
Total net assets	<u>\$ 6,625,785</u>	<u>\$ 6,437,286</u>	<u>\$ 188,499</u>

Net assets may serve over time as a useful indicator of a district's financial position. In the case of Van Vleck Independent School District, assets exceeded liabilities by \$6,625,785 at the close of the most recent fiscal year, August 31, 2007.

A large portion of the District's net assets (50 percent) reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services to students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities

An additional portion of the District's net assets (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (46 percent) may be used to meet the District's ongoing obligations to educate the school-age children of Van Vleck.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The District's unrestricted net assets decreased by \$186,658 while the invested in capital assets and restricted net assets increased by \$280,537 and \$94,620 respectively for an overall increase to net assets of \$188,499. This is a result of the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenditures as explained further below.

The District's governmental activities as of August 31, 2007 and 2006 are summarized as follows:

VAN VLECK INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET ASSETS

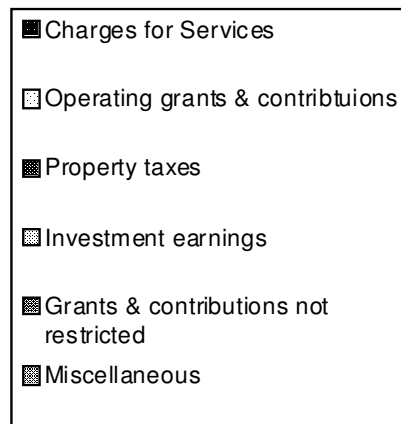
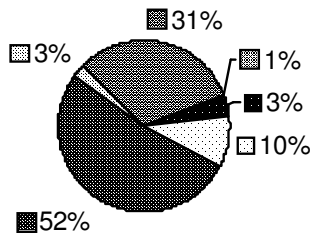
	Governmental Activities		Variance
	8/31/2007	8/31/2006	
Revenues:			
Program Revenues:			
Charges for services	\$ 344,538	\$ 308,436	\$ 36,102
Operating grants & contributions	979,293	939,130	40,163
General Revenues:			
Property taxes	5,147,805	4,498,577	649,228
Investment earnings	256,108	140,922	115,186
Grants & contributions not restricted for specific purpose	3,091,074	3,643,815	(552,741)
Miscellaneous	50,812	67,624	(16,812)
Total revenues	9,869,630	9,598,504	271,126
Expenses:			
Instruction	5,262,606	5,121,493	141,113
Instructional resources and media	136,675	138,160	(1,485)
Curriculum and staff development	58,447	56,982	1,465
Instructional leadership	11,078	10,442	636
School leadership	553,898	468,758	85,140
Guidance and counseling	179,859	172,531	7,328
Health services	32,400	33,677	(1,277)
Student transportation	337,250	316,017	21,233
Food service	485,948	513,073	(27,125)
Extracurricular activities	478,620	429,880	48,740
General administration	494,023	464,280	29,743
Plant maintenance and operations	1,244,172	1,149,496	94,676
Security and monitoring services	36,106	30,326	5,780
Data processing services	36,601	66,590	(29,989)
Interest on long-term debt	0	65,771	(65,771)
Bond issuance costs and fees	62,722	6,630	56,092
Capital outlay	137,538	38,708	98,830
Shared Service Payments	133,189	117,302	15,887
Total expenses	9,681,132	9,200,116	481,016

Increase in net assets	<u>188,498</u>	<u>398,388</u>	<u>(209,890)</u>
Net assets, beginning	<u>6,437,287</u>	<u>6,038,898</u>	<u>398,389</u>
Net assets ending	<u>\$ 6,625,785</u>	<u>\$ 6,437,286</u>	<u>\$ 188,499</u>

Governmental activities. Governmental activities increased the District’s net assets by \$188,498, a decrease of 209,890 over the previous year increase of \$398,388. Key elements of this decrease are as follows:

- Property tax revenue increased by \$649,228 due to an increase in taxable values while unrestricted grants decreased by \$552,741 due to the direct correlation with the increased tax revenue for a net increase of \$96,487.
- Investment earnings were up \$115,186 due to increase in investment rates during the fiscal year.
- Instructional costs increased primarily due to pay step increases as well as a mandatory \$2,500 salary increase for teachers.
- School leadership increased primarily due to the addition of an assistant High School principal as well as the overlap of change in support staff.
- \$77,223 of the net increase in plant maintenance and operations was due to increased property insurance costs.
- Capital outlay costs were up due primarily to initial expenditures related to a failed bond issue that were ultimately not capitalized.

Revenues by Source - Governmental Activities



Financial Analysis of the District’s Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the District’s strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General and Special Revenue Funds. The focus of the District’s *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the District’s financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the District’s governmental funds reported combined ending fund balances of \$2,998,060, an increase of \$34,901. \$2,746,678 of this total constitutes unreserved fund balance, of which \$715,442 has been designated for future construction needs and the remaining \$2,031,236 is available for spending at the District’s discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for (1) prepaid expenditures (2) operate the food service program or (3) for other various grant programs and student groups.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$2,031,236. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 22 percent of total general fund expenditures.

The balance of the general fund decreased by \$23,739, a net decrease of \$209,963 over the previous years net increase of \$186,224. Key factors in this decrease in fund balance are the same as those mentioned above for governmental activities.

General Fund Budgetary Highlights. The Board of Trustees approved budget amendments throughout the year between expenditure functions only with no change in the total expenditures for the year. The primary budget amendment was to allow for the pay-off of an equipment lease.

Actual Revenues were under budgetary estimates by a \$516,364 while actual expenditures were less than appropriations by \$469,622. Some of the more significant variances are described below:

- State funds were overestimated by \$638,369 primarily due to a decline in ADA
- Instruction costs were overestimated \$299,966 primarily do to the uncertainty as to need and decline in ADA

Debt Administration

	Governmental Activities		Variance
	8/31/2007	8/31/2006	
Maintenance Tax Notes	\$ 1,225,000	\$ 1,440,000	\$ (215,000)
Capital Lease	0	102,400	(102,400)
	<u>\$ 1,225,000</u>	<u>\$ 1,542,400</u>	<u>\$ (317,400)</u>

Debt administration events during the current fiscal year included scheduled principal payments of \$256,410 and the payoff of the capital lease of \$60,990. Additional information about the District's debt can be found in note E on page 23.

Capital Assets

	Governmental Activities		Variance
	8/31/2007	8/31/2006	
Land	\$ 223,566	\$ 192,517	\$ 31,049
Construction in progress	5,252.00	0	5,252
Buildings & Improvements	7,221,757	7,050,734	171,023
Equipment	775,973	767,073	8,900
Vehicles	1,089,985	983,329	106,656
Totals	<u>9,316,533</u>	<u>8,993,653</u>	<u>322,880</u>
Less accumulated depreciation	<u>(4,793,700)</u>	<u>(4,433,957)</u>	<u>(359,743)</u>
	<u>\$ 4,522,833</u>	<u>\$ 4,559,696</u>	<u>\$ (36,863)</u>

Some of the more significant capital events during the year include the following:

- Purchase of one bus and two vehicles at a cost of \$106,656
- Elementary cafeteria air conditioning at a cost of \$43,190 and softball field lighting at a cost of \$71,319
- Depreciation expense for the year of \$359,743

Additional information on the District's capital assets can be found in note C on pages 22 of this report.

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient, effective and controlled use of the District's resources. Factors affecting the 2008 Budget were as follows:

The VVSD budget is based on the tax rate of .98 for the 2007-2008 school year. The budget is tight, particularly due to slight downward fluctuation in ADA. Coupled with the ADA issue is our recurring priority of ensuring that quality staff is retained and competitive hiring practices continue. Included in the FY 08 budget is a salary increase for all employees. There is also greater allocation for property insurance and liability, along with planned increases in utility costs.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Van Vleck Independent School District, Attention: Superintendent, PO Drawer 0, Van Vleck, Tx 77482 or call 979-245-8518.

Basic Financial Statements



VAN VLECK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AUGUST 31, 2007

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 3,388,673
1120	<i>Current Investments</i>	14,423
1225	<i>Property Taxes Receivable (Net)</i>	307,919
1240	<i>Due from Other Governments</i>	199,518
1250	<i>Accrued Interest</i>	205
1290	<i>Other Receivables (Net)</i>	901
1300	<i>Inventories</i>	26,460
1410	<i>Deferred Expenses</i>	137,044
1420	<i>Capitalized Bond and Other Debt Issuance Costs</i>	24,120
Capital Assets:		
1510	<i>Land</i>	223,566
1520	<i>Buildings and Improvements, Net</i>	3,507,041
1530	<i>Furniture and Equipment, Net</i>	786,974
1580	<i>Construction in Progress</i>	5,252
1000	Total Assets	<u>8,622,096</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	20,314
2140	<i>Interest Payable</i>	2,148
2165	<i>Accrued Liabilities</i>	253,294
2180	<i>Due to Other Governments</i>	10,348
2300	<i>Unearned Revenue</i>	485,207
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	225,000
2502	<i>Due in More Than One Year</i>	1,000,000
2000	Total Liabilities	<u>1,996,311</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	3,297,833
Restricted For:		
3820	State and Federal Programs	49,846
3870	Campus Activities	22,622
3890	Deferred Expenditures	136,027
Other Purposes		
3890	Expendable	28,887
3890	Nonexpendable	14,000
3900	Unrestricted	3,076,570
3000	Total Net Assets	<u>\$ 6,625,785</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Governmental Activities		
	Government Activities:					
11	<i>Instruction</i>	\$ 5,262,606	\$ 100,562	\$ 612,975	\$ (4,549,069)	
12	<i>Instructional Resources and Media Services</i>	136,675	--	7,118	(129,557)	
13	<i>Curriculum and Staff Development</i>	58,447	--	9,254	(49,193)	
21	<i>Instructional Leadership</i>	11,078	--	3,032	(8,046)	
23	<i>School Leadership</i>	553,898	15,947	17,348	(520,603)	
31	<i>Guidance, Counseling, & Evaluation Services</i>	179,859	--	10,307	(169,552)	
33	<i>Health Services</i>	32,400	--	2,362	(30,038)	
34	<i>Student Transportation</i>	337,250	--	14,841	(322,409)	
35	<i>Food Service</i>	485,948	177,561	261,310	(47,077)	
36	<i>Cocurricular/Extracurricular Activities</i>	478,620	46,107	11,005	(421,508)	
41	<i>General Administration</i>	494,023	--	14,043	(479,980)	
51	<i>Plant Maintenance and Operations</i>	1,244,172	4,361	13,906	(1,225,905)	
52	<i>Security and Monitoring Services</i>	36,106	--	817	(35,289)	
53	<i>Data Processing Services</i>	36,601	--	975	(35,626)	
72	<i>Interest on Long-term Debt</i>	56,292	--	--	(56,292)	
73	<i>Bond Issuance Costs and Fees</i>	6,430	--	--	(6,430)	
81	<i>Capital Outlay</i>	137,538	--	--	(137,538)	
93	<i>Payments Related to Shared Services Arrangements</i>	116,815	--	--	(116,815)	
95	<i>Payments to Juvenile Justice Alternative Ed. Programs</i>	16,374	--	--	(16,374)	
TG	Total Governmental Activities	<u>9,681,132</u>	<u>344,538</u>	<u>979,293</u>	<u>(8,357,301)</u>	
TP	Total Primary Government	<u>\$ 9,681,132</u>	<u>\$ 344,538</u>	<u>\$ 979,293</u>	<u>(8,357,301)</u>	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				5,147,805	
IE	<i>Investment Earnings</i>				256,108	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				3,091,074	
MI	<i>Miscellaneous</i>				50,812	
TR	Total General Revenues				<u>8,545,799</u>	
CN	Change in Net Assets				<u>188,498</u>	
NB	Net Assets - Beginning				<u>6,437,287</u>	
NE	Net Assets - Ending				<u>\$ 6,625,785</u>	

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2007

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 3,329,252	\$ 59,420	\$ 3,388,672
1120	Current Investments	--	14,423	14,423
1225	Taxes Receivable, Net	307,919	--	307,919
1240	Due from Other Governments	132,784	66,734	199,518
1250	Accrued Interest	--	205	205
1260	Due from Other Funds	551	--	551
1290	Other Receivables	901	--	901
1300	Inventories	--	26,460	26,460
1410	Deferred Expenditures	136,027	1,017	137,044
1000	Total Assets	\$ 3,907,434	\$ 168,259	\$ 4,075,693
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 14,903	\$ 5,411	\$ 20,314
2150	Payroll Deductions & Withholdings	4,562	805	5,367
2160	Accrued Wages Payable	211,609	17,116	228,725
2170	Due to Other Funds	--	551	551
2180	Due to Other Governments	--	10,348	10,348
2200	Accrued Expenditures	19,202	--	19,202
2300	Unearned Revenue	774,453	18,673	793,126
2000	Total Liabilities	1,024,729	52,904	1,077,633
FUND BALANCES:				
Reserved Fund Balances:				
3430	Prepaid Items	136,027	--	136,027
3490	Other Reserves of Fund Balance	--	115,355	115,355
Unreserved, Designated Fund Balance:				
3510	Construction	715,442	--	715,442
3600	Unreserved, Undesignated	2,031,236	--	2,031,236
3000	Total Fund Balances	2,882,705	115,355	2,998,060
4000	Total Liabilities and Fund Balances	\$ 3,907,434	\$ 168,259	\$ 4,075,693

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 AUGUST 31, 2007*

Total fund balances - governmental funds balance sheet	\$ 2,998,060
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,522,833
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	307,919
Payables for notes which are not due in the current period are not reported in the funds.	(1,225,000)
Payables for accrued interest which is not due in the current period are not reported in the funds.	(2,148)
Deferred debt issuance costs which are not due in the current period are not reported in the funds.	24,120
Rounding difference	<u>1</u>
Net assets of governmental activities - statement of net assets	<u>\$ 6,625,785</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 5,614,746	\$ 305,801	\$ 5,920,547
5800 State Program Revenues	3,412,175	159,951	3,572,126
5900 Federal Program Revenues	2,676	495,565	498,241
5020 Total Revenues	<u>9,029,597</u>	<u>961,317</u>	<u>9,990,914</u>
EXPENDITURES:			
Current:			
0011 Instruction	4,650,137	409,338	5,059,475
0012 Instructional Resources and Media Services	130,140	1,055	131,195
0013 Curriculum and Staff Development	47,403	8,784	56,187
0021 Instructional Leadership	7,632	3,032	10,664
0023 School Leadership	517,420	17,886	535,306
0031 Guidance, Counseling, & Evaluation Services	172,340	676	173,016
0033 Health Services	30,480	584	31,064
0034 Student Transportation	412,217	1,254	413,471
0035 Food Service	17,019	448,579	465,598
0036 Cocurricular/Extracurricular Activities	451,996	19,764	471,760
0041 General Administration	475,184	424	475,608
0051 Plant Maintenance and Operations	1,273,919	9,979	1,283,898
0052 Security and Monitoring Services	34,903	--	34,903
0053 Data Processing Services	33,960	--	33,960
0071 Principal on Long-term Debt	317,400	--	317,400
0072 Interest on Long-term Debt	56,666	--	56,666
0073 Bond Issuance Costs and Fees	400	--	400
0081 Capital Outlay	272,253	--	272,253
0093 Payments to Shared Service Arrangements	116,815	--	116,815
0095 Payments to Juvenile Justice Alternative			
0095 Education Programs	16,374	--	16,374
6030 Total Expenditures	<u>9,034,658</u>	<u>921,355</u>	<u>9,956,013</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(5,061)</u>	<u>39,962</u>	<u>34,901</u>
Other Financing Sources and (Uses):			
7915 Transfers In	--	18,678	18,678
8911 Transfers Out	(18,678)	--	(18,678)
7080 Total Other Financing Sources and (Uses)	<u>(18,678)</u>	<u>18,678</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>(23,739)</u>	<u>58,640</u>	<u>34,901</u>
0100 Fund Balances - Beginning	2,906,444	56,715	2,963,159
3000 Fund Balances - Ending	<u>\$ 2,882,705</u>	<u>\$ 115,355</u>	<u>\$ 2,998,060</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2007*

Net change in fund balances - total governmental funds	\$ 34,901
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	322,880
The depreciation of capital assets used in governmental activities is not reported in the funds.	(359,743)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(121,284)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	102,400
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	215,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds	(6,030)
(Increase) decrease in accrued interest from beginning of period to end of period	<u>374</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 188,498</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2007

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Scholarship Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 16,215	\$ 70,731
1000	Total Assets	<u>\$ 16,215</u>	<u>\$ 70,731</u>
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ --	\$ 70,731
2400	<i>Payable from Restricted Assets</i>	4,250	--
2000	Total Liabilities	<u>4,250</u>	<u>70,731</u>
	NET ASSETS		
3800	<i>Held in Trust</i>	11,965	--
3000	Total Net Assets	<u>\$ 11,965</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2007

	Private- Purpose Trusts
Additions:	
Gifts & Bequests	\$ 2,979
Total Additions	<u>2,979</u>
Deductions:	
Scholarship Awards	<u>10,750</u>
Total Deductions	<u>10,750</u>
Change in Net Assets	(7,771)
Net Assets-Beginning of the Year	19,736
Net Assets-End of the Year	<u>\$ 11,965</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2007

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2007

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

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

b. Inventories and Prepaid Items

The District records purchases of cafeteria food and supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and unused portions are recorded as inventory and deferred revenue at year end.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2007

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

c. Capital Assets

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

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

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

e. Interfund Activity

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

f. Use of Estimates

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

g. Data Control Codes

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

B. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2007, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$382,552 and the bank balance was \$529,756. The District's cash deposits at August 31, 2007 and during the year ended August 31, 2007, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2007

2. Investments:

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

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

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

The District's investments at August 31, 2007 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Credit Risk</u>	<u>Fair Value</u>
Lonestar Investment Pool	N/A	AAA	\$ 3,106,491
Certificate of Deposit	4/2008	N/A	14,423
Total Investments			<u>\$ 3,120,914</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District's policy is to invest in authorized investments of the United States or its agencies rated as to investment quality by a nationally recognized investment rating firm of not less than A or its equivalent and to invest in public funds investment pools that are continuously rated no lower than AAA or AAA-m.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy is to use final weighted average maturity limits and diversification.

Investment Accounting Policy

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2007

Public Funds Investment Pools

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

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

C. Capital Assets

Capital asset activity for the year ended August 31, 2007, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 192,517	\$ 31,049	\$ --	\$ 223,566
Construction in progress	--	5,252	--	5,252
Total capital assets not being depreciated	<u>192,517</u>	<u>36,301</u>	<u>--</u>	<u>228,818</u>
 <i>Capital assets being depreciated:</i>				
Buildings and improvements	7,050,734	171,023	--	7,221,757
Equipment	767,073	8,900	--	775,973
Vehicles	983,329	106,656	--	1,089,985
Total capital assets being depreciated	<u>8,801,136</u>	<u>286,579</u>	<u>--</u>	<u>9,087,715</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,517,191)	(197,525)	--	(3,714,716)
Equipment	(347,251)	(82,068)	--	(429,319)
Vehicles	(569,515)	(80,150)	--	(649,665)
Total accumulated depreciation	<u>(4,433,957)</u>	<u>(359,743)</u>	<u>--</u>	<u>(4,793,700)</u>
Total capital assets being depreciated, net	<u>4,367,179</u>	<u>(73,164)</u>	<u>--</u>	<u>4,294,015</u>
Governmental activities capital assets, net	<u>\$ 4,559,696</u>	<u>\$ (36,863)</u>	<u>\$ --</u>	<u>\$ 4,522,833</u>

Depreciation was charged to functions as follows:

Instruction	\$ 203,132
Instructional Resources and Media Services	5,480
Curriculum and Staff Development	2,260
Instructional Leadership	414
School Leadership	18,592
Guidance, Counseling, & Evaluation Services	6,843
Health Services	1,336
Student Transportation	12,534
Food Services	20,350
Extracurricular Activities	17,050
General Administration	18,415
Plant Maintenance and Operations	49,494
Security and Monitoring Services	1,203
Data Processing Services	2,640
	<u>\$ 359,743</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2007

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2007, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 551	Short-term loans
	Total	\$ 551	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2007, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ 18,678	Supplement other funds sources
	Total	\$ 18,678	

E. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2007, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Notes	\$ 1,440,000	\$ --	\$ 215,000	\$ 1,225,000	\$ 225,000
Capital leases	102,400	--	102,400	--	--
Total governmental activities	\$ 1,542,400	\$ --	\$ 317,400	\$ 1,225,000	\$ 225,000

Notes and capital leases are liquidated by the general fund.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2007, are as follows:

Year Ending August 31.	Governmental Activities		
	Principal	Interest	Total
2008	\$ 225,000	\$ 44,898	\$ 269,898
2009	235,000	35,698	270,698
2010	245,000	26,098	271,098
2011	255,000	16,098	271,098
2012	265,000	5,499	270,499
Totals	\$ 1,225,000	\$ 128,291	\$ 1,353,291

The District issued maintenance tax notes in the amount of \$2,190,000 for facility upgrades and maintenance. Interest is payable semi-annually on February 15 and August 15 at a rate of 4% and the notes mature in 2012.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2007

F. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2007, as follows:

<u>Year Ending August 31,</u>		
2008	\$	61,785
2009		60,248
2010		42,358
2011		25,624
2012		12,103
Total Minimum Rentals	\$	<u>202,118</u>
Rental Expenditures in 2007	\$	<u>47,875</u>

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2007, 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.

Self-Insured Workers Compensation

During the year ended August 31, 2007, the District met its statutory workers' compensation obligations through participation in a workers compensation pool administered by Claims Administrative Services, Inc. The pool provides statutory workers' compensation benefits to its members and their injured employees.

The pool and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Pool's self-insured retention of \$225,000. For the year ended August 31, 2007, the pool purchased excess coverage from Safety National Casualty Corporation. Each participating District is responsible for claims up to a loss fund maximum which is determined annually. At that point, the pool kicks in up to the \$225,000 retention amount. The District will have no additional liability beyond their loss fund maximum each year.

Claims activity for the past three fiscal years are as follows:

	<u>8/31/07</u>	<u>8/31/06</u>	<u>8/31/05</u>
Unpaid claims, beginning	\$ 22,624	\$ 39,054	\$ 20,561
Incurred claims	5,119	5,122	25,261
Decrease in IBNR	(4,184)	(10,078)	--
Paid claims	(4,357)	(11,474)	(6,768)
Unpaid claims, ending	\$ <u>19,202</u>	\$ <u>22,624</u>	\$ <u>39,054</u>

H. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2007

has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2007, 2006 and 2005 were \$348,128, \$307,725 and \$294,970, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2007, 2006 and 2005 were \$46,932, \$38,989 and \$33,182, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$334,143 for the year ended August 31, 2007.

I. Health Care Coverage

During the year ended August 31, 2007, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$268 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

J. Commitments and Contingencies

1. Contingencies

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

K. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides alternative education for youths in Matagorda County who have committed an offense resulting in expulsion as defined in TEC section 37.007 to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Van Vleck ISD	\$ 16,374
Bay City ISD	32,747
Tidehaven ISD	16,374
Palacios ISD	16,374
Total	\$ <u>81,869</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2007

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for federally funded special education with the following school districts:

Member Districts

Van Vleck ISD
 Bay City ISD
 Tidehaven ISD
 Palacios ISD
 Matagorda ISD

The District accounts for a very small portion of the revenues and expenditures in this program in a federal special revenue fund; however, the District does not account for the majority of the revenues and expenditures and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Bay City Independent School District nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. The financial report for this SSA may be obtained by writing Bay City ISD, 520 7th Street, Bay City, Tx 77414 or by calling (979) 245-5766.

The District participates in a shared services arrangement ("SSA") for state funded special education with the following school districts:

Member Districts

Van Vleck ISD
 Bay City ISD
 Tidehaven ISD
 Palacios ISD
 Matagorda ISD

The District does not account for the revenues and expenditures and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Bay City Independent School District nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. The financial report for this SSA may be obtained by writing Bay City ISD, 520 7th Street, Bay City, Tx 77414 or by calling (979) 245-5766.

L. Disaggregated Receivables

Receivables as of the year end for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor Funds	Totals
Real & Personal Property Taxes	\$ 853,430	\$	\$ 853,430
Business Personal Property Assessment	436		436
Less allowance on taxes	(545,947)		(545,947)
	<u>\$ 307,919</u>	<u>\$ --</u>	<u>\$ 307,919</u>
Due from Other Governments:			
TEA	\$ 132,784	\$ 63,068	\$ 195,852
Other Governments		3,666	3,666
	<u>\$ 132,784</u>	<u>\$ 66,734</u>	<u>\$ 199,518</u>

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2007

M. Disaggregated Revenues

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

	General Fund	Other Governmental Fund	Totals
Property taxes	\$ 5,181,399	\$	\$ 5,181,399
Penalties & interest	87,691		87,691
Tuitions and fees	14,111		14,111
Investment earnings	255,601	507	256,108
Food service fees		181,273	181,273
Athletic receipts	25,358		25,358
Extra Curricular Activities		41,926	41,926
Other	50,587	226	50,813
Shared Service Arrangement Fees		81,869	81,869
	<u>\$ 5,614,747</u>	<u>\$ 305,801</u>	<u>\$ 5,920,548</u>

N. Restricted and Designated Net Assets or Fund Balances

Net assets have been restricted in the government-wide statements for student activities, state and federal grants, other local grants and prepaid items. Fund balances have been restricted for the same purposes as above as well as designated for future construction projects.

Required Supplementary Information

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2007

EXHIBIT G-1

Page 1 of 2

Data Control Codes	1		2		3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual	
	Original	Final				
REVENUES:						
5700	Local and Intermediate Sources	\$ 5,495,417	\$ 5,495,417	\$ 5,614,746	\$ 119,329	
5800	State Program Revenues	4,050,544	4,050,544	3,412,175	(638,369)	
5900	Federal Program Revenues	--	--	2,676	2,676	
5020	Total Revenues	9,545,961	9,545,961	9,029,597	(516,364)	
EXPENDITURES:						
Current:						
Instruction & Instructional Related Services:						
0011	Instruction	4,950,103	4,950,103	4,650,137	299,966	
0012	Instructional Resources and Media Services	138,445	138,445	130,140	8,305	
0013	Curriculum and Staff Development	53,901	53,901	47,403	6,498	
	Total Instruction & Instr. Related Services	5,142,449	5,142,449	4,827,680	314,769	
Instructional and School Leadership:						
0021	Instructional Leadership	7,632	7,632	7,632	--	
0023	School Leadership	545,446	545,446	517,420	28,026	
	Total Instructional & School Leadership	553,078	553,078	525,052	28,026	
Support Services - Student (Pupil):						
0031	Guidance, Counseling and Evaluation Services	178,992	178,992	172,340	6,652	
0033	Health Services	32,553	32,553	30,480	2,073	
0034	Student (Pupil) Transportation	462,503	462,503	412,217	50,286	
0035	Food Services	16,081	16,081	17,019	(938)	
0036	Cocurricular/Extracurricular Activities	435,340	445,531	451,996	(6,465)	
	Total Support Services - Student (Pupil)	1,125,469	1,135,660	1,084,052	51,608	
Administrative Support Services:						
0041	General Administration	482,649	482,649	475,184	7,465	
	Total Administrative Support Services	482,649	482,649	475,184	7,465	
Support Services - Nonstudent Based:						
0051	Plant Maintenance and Operations	1,389,054	1,314,239	1,273,919	40,320	
0052	Security and Monitoring Services	34,934	34,934	34,903	31	
0053	Data Processing Services	47,903	47,903	33,960	13,943	
	Total Support Services - Nonstudent Based	1,471,891	1,397,076	1,342,782	54,294	
Debt Service:						
0071	Principal on Long-Term Debt	290,059	371,401	317,400	54,001	
0072	Interest on Long-Term Debt	--	2,963	56,666	(53,703)	
0073	Bond Issuance Costs and Fees	--	--	400	(400)	
	Total Debt Service	290,059	374,364	374,466	(102)	
Capital Outlay:						
0081	Capital Outlay	305,344	285,663	272,253	13,410	
	Total Capital Outlay	305,344	285,663	272,253	13,410	
Intergovernmental Charges:						
0093	Payments to Fiscal Agent/Member Dist.-SSA	116,967	116,967	116,815	152	
0095	Payments to Juvenile Justice Alternative Ed. Program	16,374	16,374	16,374	--	
	Total Intergovernmental Charges	133,341	133,341	133,189	152	
6030	Total Expenditures	9,504,280	9,504,280	9,034,658	469,622	

VAN VLECK INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2007

EXHIBIT G-1

Page 2 of 2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
1100 Excess (Deficiency) of Revenues Over (Under)					
1100 Expenditures	41,681	41,681		(5,061)	(46,742)
Other Financing Sources (Uses):					
8911 Transfers Out	(41,681)	(41,681)		(18,678)	23,003
7080 Total Other Financing Sources and (Uses)	(41,681)	(41,681)		(18,678)	23,003
1200 Net Change in Fund Balance	--	--		(23,739)	(23,739)
0100 Fund Balance - Beginning	2,906,444	2,906,444		2,906,444	--
3000 Fund Balance - Ending	\$ 2,906,444	\$ 2,906,444		\$ 2,882,705	\$ (23,739)

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2007

The District annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

The District exceeded appropriations in the functions of food service, cocurricular activities and debt service. The excess expenditures were covered by available fund balance.

Other Supplementary Information

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2007*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
1998 and Prior Years	\$ Various	\$ Various	\$ Various
1999	1.2979	--	169,623,777
2000	1.2979	--	161,512,901
2001	1.36	--	169,070,735
2002	1.36	--	208,486,765
2003	1.4748	--	231,893,070
2004	1.4748	--	236,898,927
2005	1.50	--	245,617,400
2006	1.4076	--	311,575,769
2007 (School Year Under Audit)	1.28	--	405,648,203

1000 Totals

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

10 Beginning Balance 9/1/06	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/07
\$ 276,373	\$ --	\$ 15,568	\$ --	\$ (6,389)	\$ 254,416
29,063	--	3,620	--	(859)	24,584
30,837	--	3,456	--	(1,227)	26,154
39,667	--	4,201	--	(1,277)	34,189
39,935	--	5,327	--	(1,257)	33,351
50,224	--	10,201	--	(1,346)	38,677
85,029	--	21,837	--	(1,537)	61,655
112,297	--	24,565	--	(19,627)	68,105
187,089	--	90,659	--	(5,791)	90,639
--	5,192,297	4,945,459	--	(25,178)	221,660
<u>\$ 850,514</u>	<u>\$ 5,192,297</u>	<u>\$ 5,124,893</u>	<u>\$ --</u>	<u>\$ (64,488)</u>	<u>\$ 853,430</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

VAN VLECK INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2008-2009
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2007*

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 216,270	\$ 115,389	\$ --	\$ 1,203	\$ 332,862
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	9,814	--	--	--	9,814
6212	Audit Services	--	--	--	11,000	--	--	11,000
6213	Tax Appraisal and Collection	--	44,930	--	--	--	--	44,930
621X	Other Prof. Services	--	16,424	--	17,109	--	--	33,533
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	750	--	--	--	750
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	2,376	7,999	--	--	10,375
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	134	--	--	134
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	4,431	7,730	--	--	12,161
6410	Travel, Subsistence, Stipends	3,102	--	4,788	1,073	--	--	8,963
6420	Ins. and Bonding Costs	--	--	--	8,813	--	--	8,813
6430	Election Costs	1,386	--	--	--	--	--	1,386
6490	Miscellaneous Operating	6,820	--	4,397	8,578	--	--	19,795
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 11,308 \$ 61,354 \$ 242,826 \$ 177,825 \$ -- \$ 1,203 \$ 494,516

Total expenditures for General and Special Revenue Funds (9) \$ 9,956,013

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 421,382
Total Debt & Lease (6500)	(11)	\$ 374,466
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,194,678
Food (Function 35, 6341 and 6499)	(13)	\$ 172,507
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		<u>\$ 177,825</u>

Subtotal 2,340,858

Net Allowed Direct Cost \$ 7,615,155

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 7,221,756
Historical Cost of Buildings over 50 years old	(16)	454,662
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,865,958
Historical Cost of Furniture & Equipment over 16 years old	(19)	145,877
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$18,908 in Function 53 expenditures are included in this report on administrative costs.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2007

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2007 (Exhibit C-1 object 3000 for the General Fund only)	\$ 2,882,705
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	136,027
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	715,442
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	870,000
5	Estimate of one month's average cash disbursements during the regular school session (9/1/07 - 5/31/08)	750,000
6	Estimate of delayed payments from state sources (58XX) including August payment delays	--
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
8	Estimate of delayed payments from federal sources (59XX)	--
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	2,471,469
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ 411,236

Van Vleck ISD has begun work on identifying capital projects that, along with research-based instructional strategies, will require additional funding. Areas for improvement will include student safety and technology. The Board of Trustees will designate these extra funds for these purposes.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2007

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 171,000	\$ 181,273	\$ 10,273
5800 <i>State Program Revenues</i>	--	2,900	2,900
5900 <i>Federal Program Revenues</i>	257,000	254,692	(2,308)
5020 Total Revenues	<u>428,000</u>	<u>438,865</u>	<u>10,865</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	460,281	448,173	12,108
Total Support Services - Student (Pupil)	<u>460,281</u>	<u>448,173</u>	<u>12,108</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	9,400	9,370	30
Total Support Services - Nonstudent Based	<u>9,400</u>	<u>9,370</u>	<u>30</u>
6030 Total Expenditures	<u>469,681</u>	<u>457,543</u>	<u>12,138</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(41,681)</u>	<u>(18,678)</u>	<u>23,003</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	41,681	18,678	(23,003)
7080 Total Other Financing Sources and (Uses)	<u>41,681</u>	<u>18,678</u>	<u>(23,003)</u>
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

REED & ASSOCIATES, PC

1717 8th Street, Suite 5

Bay City, Texas 77414

Independent Auditor's Report

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

Board of Trustees
Van Vleck Independent School District
302 Fourth Street
Van Vleck, Texas 77482

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Vleck Independent School District as of and for the year ended August 31, 2007, which collectively comprise the Van Vleck Independent School District's basic financial statements and have issued our report thereon dated November 15, 2007. 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 Van Vleck Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Van Vleck Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Van Vleck Independent School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the previous paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Van Vleck Independent School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Van Vleck Independent School District's financial statements that is more than inconsequential will not be prevented by the Van Vleck Independent School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-01 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Van Vleck Independent School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Van Vleck 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*.

We also noted other matters that we reported to management of Van Vleck Independent School District in a separate letter dated November 15, 2007.

This report is intended solely for the information and use of management, others within the organization and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Reed & Associates, PC".

Reed & Associates, PC
November 15, 2007

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2007

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

2. Financial Statement Findings

07-01 Condition: Controls over the general ledger are weak.

Criteria: Controls over the general ledger should be sufficient to provide accurate financial data for management decisions.

Effect: Weak controls over the general ledger resulted in significant unadjusted balances in the financial statements that could lead to poor management decisions.

Recommendations: Management personnel should receive appropriate training as to the accounting principles applicable to the District and the required adjustments needed at least annually.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2007

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
06-1 Condition: Controls over expenditure approval are not being followed.		
Recommendations: Existing procedures requiring written authorization to pay should be strictly followed and all employees involved should receive proper training as to this procedure.	Implemented	
06-2 Condition: There is a lack of controls over the reconciling and recording of student activity accounts.		
Recommendations: Procedures should be established requiring a three way reconciliation of the student activity accounts and should be strictly followed each month. In addition each employee involved in this process should receive proper training as to this procedure.	Partially Implemented	Employees are still being trained on recording student activity accounts in the general ledger.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2007

FINANCIAL STATEMENT FINDINGS

Significant Deficiency:

07-1 Condition: Controls over the general ledger are weak.

Recommendation: Management personnel should receive appropriate training as to the accounting principles applicable to the District and the required adjustments needed at least annually.

Corrective Action: Revenue projections will be reviewed at the end of the semester to adjust as necessary based on student ADA. The projections will be compared to the most current Summary of Finance available from TEA. All adjustments to the budget will be made in a timely manner. Documentation will be provided to the Superintendent by the 25th day of each month in order to ensure that bank reconciliations are being completed in a timely manner. Student Activity account entries will be posted to the General Ledger on a monthly basis and verified by the Superintendent via monthly bank reconciliations. Appropriate staff will attend training relating to coding issues. The Superintendent will review all outstanding purchase orders (more than sixty days old).

Contact Person and Completion Date: Cynthia Clary, Superintendent, February 28, 2008.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2007*

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