

VAN VLECK
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2009



Van Vleck Independent School District
Annual Financial Report
For The Year Ended August 31, 2009

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report on Financial Statements.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	10	A-1
Statement of Activities.....	11	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	12	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	13	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	14	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	15	C-3
Statement of Fiduciary Net Assets - Fiduciary Funds.....	16	E-1
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	17	E-2
Notes to the Financial Statements	18	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	29	G-1
Notes to Required Supplementary Information.....	31	
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	32	J-1
Indirect Cost Computation Schedule	34	J-2
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	35	J-3
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	36	J-4
Report on Internal Control over Financial Reporting and on Compliance and		
Other Matters Based on an Audit of Financial Statements Performed		
in Accordance with <i>Government Auditing Standards</i>	37	
Report on Compliance with Requirements Applicable		
To each Major Program and Internal Control over Compliance		
In Accordance With OMB Circular A-133.....	39	
Schedule of Findings and Questioned Costs	41	
Summary Schedule of Prior Audit Findings.....	43	
Corrective Action Plan.....	44	

Van Vleck Independent School District
Annual Financial Report
For The Year Ended August 31, 2009

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Schedule of Expenditures of Federal Awards	45	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	46	
Schedule of Required Responses to Selected School First Indicators.....	47	K-2

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, 2009, at a meeting of the board of trustees of such school district on the 11 day of JANUARY, 2010.


Signature of Board Secretary


Signature of Board President

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



Financial Section



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, 2009, 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, 2009, 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 December 22, 2009, 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 schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the 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
December 22, 2009

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, 2009. 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 28 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 29 through 31 of this report.

District-wide Financial Analysis

The District's net assets at August 31, 2009 and 2008 are summarized as follows:

VAN VLECK INDEPENDENT SCHOOL DISTRICT'S NET ASSETS

	Governmental Activities		Variance
	8/31/2009	8/31/2008	
Current and other assets	\$ 2,962,593	\$ 3,186,188	\$ (223,595)
Capital assets	4,157,375	4,515,092	(357,717)
Total assets	<u>7,119,968</u>	<u>7,701,280</u>	<u>(581,312)</u>
Other liabilities	959,803	611,484	348,319
Long-term liabilities outstanding	765,000	1,000,000	(235,000)
Total liabilities	<u>1,724,803</u>	<u>1,611,484</u>	<u>113,319</u>
Net assets:			
Invested in capital assets, net of related debt	3,392,375	3,515,092	(122,717)
Restricted	344,305	364,174	(19,869)
Unrestricted	1,658,485	2,210,530	(552,045)
Total net assets	<u>\$ 5,395,165</u>	<u>\$ 6,089,796</u>	<u>\$ (694,631)</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 \$5,395,165 at the close of the most recent fiscal year, August 31, 2009.

A large portion of the District's net assets (63 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 (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (31 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 \$552,045 while the invested in capital assets and restricted net assets decreased by \$122,717 and \$19,869 respectively for an overall decrease to net assets of \$694,631. 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, 2009 and 2008 are summarized as follows:

VAN VLECK INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET ASSETS

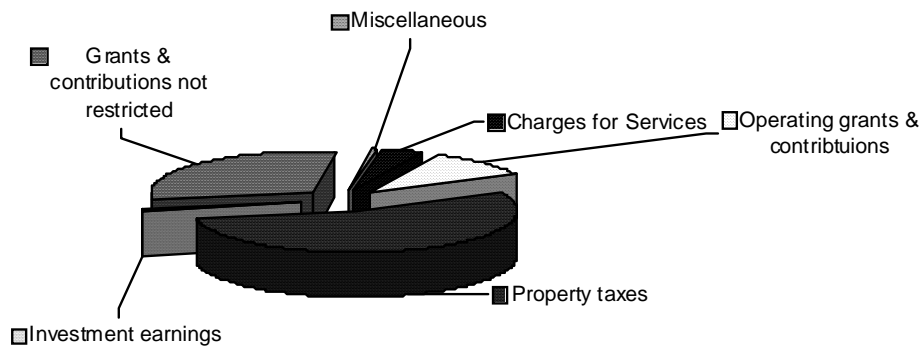
	Governmental Activities		Variance
	8/31/2009	8/31/2008	
Revenues:			
Program Revenues:			
Charges for services	\$ 421,845	\$ 357,135	\$ 64,710
Operating grants & contributions	1,085,555	1,007,210	78,345
General Revenues:			
Property taxes	5,404,962	4,397,552	1,007,410
Investment earnings	49,406	158,607	(109,201)
Grants & contributions not restricted for specific purpose	3,014,187	3,987,953	(973,766)
Miscellaneous	54,283	92,335	(38,052)
Total revenues	<u>10,030,238</u>	<u>10,000,792</u>	<u>29,446</u>
Expenses:			
Instruction	5,957,840	5,750,181	207,659
Instructional resources and media	177,745	148,721	29,024
Curriculum and staff development	45,770	46,659	(889)
Instructional leadership	468	13,546	(13,078)
School leadership	634,853	689,500	(54,647)
Guidance and counseling	233,016	220,398	12,618
Health services	59,297	86,203	(26,906)
Student transportation	339,430	406,379	(66,949)
Food service	522,985	522,427	558
Extracurricular activities	585,734	530,918	54,816
General administration	493,672	482,630	11,042
Plant maintenance and operations	1,309,588	1,391,702	(82,114)
Security and monitoring services	48,401	52,390	(3,989)
Data processing services	17,079	18,754	(1,675)
Interest on long-term debt	35,290	44,506	(9,216)
Bond issuance costs and fees	6,639	6,230	409
Shared Service Payments	187,010	125,634	61,376
Other Intergovernmental Charge:	70,052	0	70,052
Total expenses	<u>10,724,869</u>	<u>10,536,778</u>	<u>188,091</u>

Increase in net assets	<u>(694,631)</u>	<u>(535,986)</u>	<u>(158,645)</u>
Net assets, beginning	6,089,796	6,625,782	(535,986)
Net assets ending	<u>\$ 5,395,165</u>	<u>\$ 6,089,796</u>	<u>\$ (694,631)</u>

Governmental activities. Governmental activities decreased the District’s net assets by \$694,631 compared to the prior year decrease of \$535,986; Key elements comparing current to prior year are as follows:

- Property tax revenue on an accrual basis increased by \$1,007,410 due to an increase in taxable values of over \$90,000,000 while unrestricted grants decreased by \$973,766 due to the direct correlation with the increased tax revenue for a net increase of \$33,644.
- Overall payroll costs and related benefits increased over \$230,000 due primarily to pay step increases and raises. The majority of this increase was in instructional.
- Shared service costs for special education increased \$61,376

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 \$1,690,048, a decrease of \$647,771. \$1,345,743 of this total constitutes unreserved fund balance, of which \$400,000 has been designated for future construction needs and the remaining \$945,743 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 prepaid expenditures and 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 \$945,743. 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 10 percent of total general fund expenditures.

The fund balance of the general fund decreased by \$539,181 compared to the prior year decrease of \$733,837. Key elements comparing current year to prior year are as follows:

- Property tax revenue on a modified accrual basis increased by \$838,563 due to an increase in taxable values of over \$90,000,000 while unrestricted grants decreased by \$973,766 due to the direct correlation with the increased tax revenue for a net decrease in revenue of \$135,203.
- Overall payroll costs and related benefits increased only \$18,762 in the general fund due to the funding of some of the payroll increases with other federal and state grant funds, the largest portion funded with High School allotment funds.
- Prior year capital purchases included land of \$199,832, a chiller of \$67,215 and track resurfacing of \$83,548 with no capital outlay for the current year.

General Fund Budgetary Highlights. The Board of Trustees approved budget amendments throughout the year increasing appropriations by \$340,564. The most significant amendments were to instructional costs of \$205,237.

Actual Revenues were under budgetary estimates by a \$376,529 while actual expenditures were less than appropriations by \$192,923. Some of the more significant variances are described below:

- State funds were less than estimated by \$525,831 due to higher than anticipated tax collections and changes in estimated ADA.
- Expenditure variances were primarily in payroll costs due to unfilled positions and in plant maintenance & operations due to lower utility and insurance costs than anticipate.

Debt administration events during the current fiscal year included scheduled principal payments of \$225,000. Additional information about the District's debt can be found in note E on page 23.

Capital Assets

	Governmental Activities		Variance
	8/31/2009	8/31/2008	
Land	\$ 423,398	\$ 423,398	\$ 0
Buildings & Improvements	7,372,520	7,372,520	0
Equipment	783,449	783,449	0
Vehicles	999,068	1,024,974	(25,906)
Totals	9,578,435	9,604,341	(25,906)
Less accumulated depreciation	(5,421,060)	(5,089,249)	(331,811)
	<u>\$ 4,157,375</u>	<u>\$ 4,515,092</u>	<u>\$ (357,717)</u>

The most significant transaction in capital assets during the year was the recognition of depreciation expense of \$357,717.

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 2010 Budget were as follows:

- The District budget is based on a tax rate of \$1.01 for the 2009-2010 school year.
- Certified Appraised values for the 2010 budget preparation were \$570,074,661.
- The District discontinued outsourcing custodial services and hired in house custodial staff.
- The District discontinued outsourcing technology services and hired in house technology staff.
- The District created a Director of Operations position to manage custodial services, maintenance, transportation, and food service.

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, 2009

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 2,164,349
1120	<i>Current Investments</i>	14,423
1225	<i>Property Taxes Receivable (Net)</i>	302,030
1240	<i>Due from Other Governments</i>	162,287
1250	<i>Accrued Interest</i>	37
1290	<i>Other Receivables (Net)</i>	33,540
1300	<i>Inventories</i>	9,923
1410	<i>Deferred Expenses</i>	263,944
1420	<i>Capitalized Bond and Other Debt Issuance Costs</i>	12,060
Capital Assets:		
1510	<i>Land</i>	423,398
1520	<i>Buildings and Improvements, Net</i>	3,238,736
1530	<i>Furniture and Equipment, Net</i>	495,241
1000	Total Assets	<u>7,119,968</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	27,120
2140	<i>Interest Payable</i>	1,348
2165	<i>Accrued Liabilities</i>	337,978
2300	<i>Unearned Revenue</i>	593,357
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	245,000
2502	<i>Due in More Than One Year</i>	520,000
2000	Total Liabilities	<u>1,724,803</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	3,392,375
Restricted For:		
3820	State and Federal Programs	144
3870	Campus Activities	30,842
3890	Deferred Expenditures	263,944
Other Purposes		
3890	Expendable	35,375
3890	Nonexpendable	14,000
3900	Unrestricted	1,658,485
3000	Total Net Assets	<u>\$ 5,395,165</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, 2009

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		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 5,957,840	\$ 123,936	\$ 635,882	\$ (5,198,022)	
12	<i>Instructional Resources and Media Services</i>	177,745	17,169	6,695	(153,881)	
13	<i>Curriculum and Staff Development</i>	45,770	710	7,154	(37,906)	
21	<i>Instructional Leadership</i>	468	--	--	(468)	
23	<i>School Leadership</i>	634,853	11,765	30,682	(592,406)	
31	<i>Guidance, Counseling, & Evaluation Services</i>	233,016	32	31,061	(201,923)	
33	<i>Health Services</i>	59,297	143	15,348	(43,806)	
34	<i>Student Transportation</i>	339,430	--	16,591	(322,839)	
35	<i>Food Service</i>	522,985	193,331	291,225	(38,429)	
36	<i>Cocurricular/Extracurricular Activities</i>	585,734	64,843	15,072	(505,819)	
41	<i>General Administration</i>	493,672	6,163	18,087	(469,422)	
51	<i>Plant Maintenance and Operations</i>	1,309,588	3,753	16,289	(1,289,546)	
52	<i>Security and Monitoring Services</i>	48,401	--	1,129	(47,272)	
53	<i>Data Processing Services</i>	17,079	--	340	(16,739)	
72	<i>Interest on Long-term Debt</i>	35,290	--	--	(35,290)	
73	<i>Bond Issuance Costs and Fees</i>	6,639	--	--	(6,639)	
93	<i>Payments Related to Shared Services Arrangements</i>	187,010	--	--	(187,010)	
99	<i>Other Intergovernmental Charges</i>	70,052	--	--	(70,052)	
TG	Total Governmental Activities	10,724,869	421,845	1,085,555	(9,217,469)	
TP	Total Primary Government	\$ 10,724,869	\$ 421,845	\$ 1,085,555	(9,217,469)	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				5,404,962	
IE	<i>Investment Earnings</i>				49,406	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				3,014,187	
MI	<i>Miscellaneous</i>				54,283	
TR	Total General Revenues				8,522,838	
CN	Change in Net Assets				(694,631)	
NB	Net Assets - Beginning				6,089,796	
NE	Net Assets - Ending				\$ 5,395,165	

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2009

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 2,125,190	\$ 39,159	\$ 2,164,349
1120	Current Investments	--	14,423	14,423
1225	Taxes Receivable, Net	302,030	--	302,030
1240	Due from Other Governments	91,658	70,629	162,287
1250	Accrued Interest	--	37	37
1290	Other Receivables	33,540	--	33,540
1300	Inventories	--	9,923	9,923
1410	Deferred Expenditures	263,944	--	263,944
1000	Total Assets	\$ 2,816,362	\$ 134,171	\$ 2,950,533
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 18,588	\$ 8,532	\$ 27,120
2160	Accrued Wages Payable	253,623	44,084	297,707
2200	Accrued Expenditures	40,271	--	40,271
2300	Unearned Revenue	894,193	1,194	895,387
2000	Total Liabilities	1,206,675	53,810	1,260,485
FUND BALANCES:				
Reserved Fund Balances:				
3430	Prepaid Items	263,944	--	263,944
3490	Other Reserves of Fund Balance	--	80,361	80,361
Unreserved, Designated For:				
3510	Construction	400,000	--	400,000
3600	Unreserved, Undesignated	945,743	--	945,743
3000	Total Fund Balances	1,609,687	80,361	1,690,048
4000	Total Liabilities and Fund Balances	\$ 2,816,362	\$ 134,171	\$ 2,950,533

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, 2009*

Total fund balances - governmental funds balance sheet	\$ 1,690,048
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.	4,157,375
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	302,030
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,348)
Payables for notes which are not due in the current period are not reported in the funds.	(765,000)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	<u>12,060</u>
Net assets of governmental activities - statement of net assets	<u>\$ 5,395,165</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, 2009

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 5,495,030	\$ 372,090	\$ 5,867,120
5800 <i>State Program Revenues</i>	3,404,234	131,222	3,535,456
5900 <i>Federal Program Revenues</i>	11,919	552,367	564,286
5020 Total Revenues	<u>8,911,183</u>	<u>1,055,679</u>	<u>9,966,862</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	5,215,134	544,169	5,759,303
0012 <i>Instructional Resources and Media Services</i>	153,311	19,299	172,610
0013 <i>Curriculum and Staff Development</i>	35,988	8,171	44,159
0023 <i>School Leadership</i>	584,889	26,157	611,046
0031 <i>Guidance, Counseling, & Evaluation Services</i>	182,944	42,462	225,406
0033 <i>Health Services</i>	56,160	161	56,321
0034 <i>Student Transportation</i>	324,657	742	325,399
0035 <i>Food Service</i>	18,697	486,250	504,947
0036 <i>Cocurricular/Extracurricular Activities</i>	531,813	35,590	567,403
0041 <i>General Administration</i>	470,003	7,005	477,008
0051 <i>Plant Maintenance and Operations</i>	1,252,262	9,274	1,261,536
0052 <i>Security and Monitoring Services</i>	46,592	--	46,592
0053 <i>Data Processing Services</i>	16,431	--	16,431
0071 <i>Principal on Long-term Debt</i>	235,000	--	235,000
0072 <i>Interest on Long-term Debt</i>	35,698	--	35,698
0073 <i>Bond Issuance Costs and Fees</i>	609	--	609
0093 <i>Payments to Shared Service Arrangements</i>	187,010	--	187,010
0095 <i>Payments to Juvenile Justice Alternative</i>			
0095 <i>Education Programs</i>	18,103	--	18,103
0099 <i>Other Intergovernmental Charges</i>	70,052	--	70,052
6030 Total Expenditures	<u>9,435,353</u>	<u>1,179,280</u>	<u>10,614,633</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(524,170)</u>	<u>(123,601)</u>	<u>(647,771)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	15,011	15,011
8911 <i>Transfers Out</i>	(15,011)	--	(15,011)
7080 Total Other Financing Sources and (Uses)	<u>(15,011)</u>	<u>15,011</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>(539,181)</u>	<u>(108,590)</u>	<u>(647,771)</u>
0100 Fund Balances - Beginning	2,148,868	188,951	2,337,819
3000 Fund Balances - Ending	<u>\$ 1,609,687</u>	<u>\$ 80,361</u>	<u>\$ 1,690,048</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, 2009*

Net change in fund balances - total governmental funds	\$ (647,771)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(357,717)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	81,479
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	235,000
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>408</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (694,631)</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, 2009

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Scholarship Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 14,483	\$ 41,934
1000	Total Assets	<u>\$ 14,483</u>	<u>\$ 41,934</u>
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ --	\$ 41,934
2400	<i>Payable from Restricted Assets</i>	300	--
2000	Total Liabilities	<u>300</u>	<u>41,934</u>
	NET ASSETS		
3800	<i>Held in Trust</i>	14,183	--
3000	Total Net Assets	<u>\$ 14,183</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, 2009

	Private- Purpose Trusts
Additions:	
Gifts & Bequests	\$ 4,047
Total Additions	<u>4,047</u>
Deductions:	
Scholarship Awards	<u>3,800</u>
Total Deductions	<u>3,800</u>
Change in Net Assets	247
Net Assets-Beginning of the Year	13,936
Net Assets-End of the Year	<u>\$ 14,183</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, 2009

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," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

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.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

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. The District maintains a Scholarship Fund.

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. The District maintains Student Activity Funds.

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

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.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

b. Inventories and Prepaid Items

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

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

d. 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.

e. Use of Estimates

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

f. 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.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

1. Cash Deposits:

At August 31, 2009, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$257,755 and the bank balance was \$347,358. The District's cash deposits at August 31, 2009 and during the year ended August 31, 2009, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

The District's investments at August 31, 2009 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Credit Risk</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	Aaa	\$ 1,975,916
Certificate of Deposit	< 1 year	N/A	14,423
Total Investments			<u>\$ 1,990,339</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

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, 2009

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 Lone Star Investment Pool is governed by an eleven member board.

C. Capital Assets

Capital asset activity for the year ended August 31, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 423,398	\$ --	\$ --	\$ 423,398
Total capital assets not being depreciated	<u>423,398</u>	<u>--</u>	<u>--</u>	<u>423,398</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	7,372,520	--	--	7,372,520
Equipment	783,449	--	--	783,449
Vehicles	1,024,974	--	25,906	999,068
Total capital assets being depreciated	<u>9,180,943</u>	<u>--</u>	<u>25,906</u>	<u>9,155,037</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,925,264)	(208,520)	--	(4,133,784)
Equipment	(499,678)	(77,174)	--	(576,852)
Vehicles	(664,307)	(72,023)	(25,906)	(710,424)
Total accumulated depreciation	<u>(5,089,249)</u>	<u>(357,717)</u>	<u>(25,906)</u>	<u>(5,421,060)</u>
Total capital assets being depreciated, net	<u>4,091,694</u>	<u>(357,717)</u>	<u>--</u>	<u>3,733,977</u>
Governmental activities capital assets, net	<u>\$ 4,515,092</u>	<u>\$ (357,717)</u>	<u>\$ --</u>	<u>\$ 4,157,375</u>
Instruction	\$ 198,537			
Instructional Resources and Media Services	5,135			
Curriculum and Staff Development	1,611			
Instructional Leadership	468			
School Leadership	23,807			
Guidance, Counseling, & Evaluation Services	7,610			
Health Services	2,976			
Student Transportation	14,031			
Food Services	18,038			
Extracurricular Activities	18,331			
General Administration	16,664			
Plant Maintenance and Operations	48,052			
Security and Monitoring Services	1,809			
Data Processing Services	648			
	<u>\$ 357,717</u>			

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

D. Interfund Balances and Activities

1. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2009, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ 15,011	Supplement other funds sources

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, 2009, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Tax notes	\$ 1,000,000	\$ --	\$ 235,000	\$ 765,000	\$ 245,000

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2009, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 245,000	\$ 26,098	\$ 271,098
2011	255,000	16,098	271,098
2012	265,000	5,499	270,499
Totals	\$ 765,000	\$ 47,695	\$ 812,695

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.

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, 2009, as follows:

<u>Year Ending August 31,</u>	
2010	\$ 49,692
2011	25,624
2012	9,148
Total Minimum Rentals	\$ 84,464
Rental Expenditures in 2009	\$ 51,348

G. Risk Management

Self-Insured Workers Compensation

During the year ended August 31, 2009, 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.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

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, 2009, 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:

	8/31/09	8/31/08	8/31/07
Unpaid claims, beginning	\$ 38,538	\$ 19,202	\$ 22,624
Incurred claims	51,763	42,424	5,119
Decrease in IBNR	(17,793)	(4,424)	(4,184)
Paid claims	(32,237)	(18,664)	(4,357)
Unpaid claims, ending	<u>\$ 40,271</u>	<u>\$ 38,538</u>	<u>\$ 19,202</u>

Property Casualty

During the year ended August 31, 2009, Van Vleck ISD met its statutory property casualty obligations through participation in the Property Casualty Alliance of Texas (the Fund). The Fund was created pursuant to the provisions of the Interlocal Cooperation Act, Chapter 791, Title 7 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides property and casualty coverage and services to its members.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any covered claim in excess of the Fund's self-insured retentions. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of February 28, 2009, the Fund carries a discounted reserve of \$4,525,000 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended February 28, 2009, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on the last day of February. The audit is approved by the Fund's Board of Trustees by July of the same year. The Fund's audited financial statement as of February 28, 2009 are available for inspection at the Fund's administrative offices.

Unemployment Compensation Pool

During the year ended August 31, 2009, Van Vleck ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for unemployment compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2008 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

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 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 6.58% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2009, 2008 and 2007 were \$387,061, \$373,197 and \$348,128, 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, 2009, 2008 and 2007 were \$71,911, \$65,514 and \$61,454, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$318,073 for the year ended August 31, 2009.

I. Retiree Health Care Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2009, 2008 and 2007. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2009, 2008, and 2007, the State's contributions to TRS-Care were \$58,000, \$56,151, and \$51,735, respectively, the active member contributions were \$39,311, \$37,903, and \$35,357, respectively, and the District's contributions were \$35,741, \$34,233, and \$32,577, respectively, which equaled the required contributions each year.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2009, 2008, and 2007, the subsidy payments received by TRS-Care on behalf of the District were \$13,974, \$13,473, and \$11,419, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2009, 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 Article 3.51-2, Texas Insurance 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.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2009.

L. 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 youth 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>
Bay City ISD	\$ 36,206
Palacios ISD	18,103
Van Vleck ISD	18,103
Tidehaven ISD	18,103
Total	<u>\$ 90,515</u>

Shared Services Arrangement - Membership

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

Member Districts

Bay City ISD
 Matagorda ISD
 Palacios ISD
 Tidehaven ISD
 Van Vleck 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

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

M. 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 Property Taxes	\$ 859,942	\$	\$ 859,942
Business Personal Property Taxes	28		28
Less allowance on taxes	(557,940)		(557,940)
	<u>\$ 302,030</u>	<u>\$ --</u>	<u>\$ 302,030</u>
Due from Other Governments:			
TEA	\$ 91,658	\$ 66,255	\$ 157,913
Other Governments	--	4,374	4,374
	<u>\$ 91,658</u>	<u>\$ 70,629</u>	<u>\$ 162,287</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, 2009

N. Disaggregated Revenue

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	\$ 5,125,265	\$	\$ 5,125,265
Penalties & interest	198,216		198,216
Tuitions and fees	28,700		28,700
Investment earnings	48,713	2,435	51,148
Food service fees		196,821	196,821
Athletic receipts	39,851		39,851
Extra Curricular Activities		79,684	79,684
Other	54,285	2,634	56,919
Shared Service Arrangement Fees		90,516	90,516
	<u>\$ 5,495,030</u>	<u>\$ 372,090</u>	<u>\$ 5,867,120</u>

O. 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, 2009

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	\$ 5,357,647	\$ 5,357,647	\$ 5,495,030	\$ 137,383	
5800	State Program Revenues	3,930,065	3,930,065	3,404,234	(525,831)	
5900	Federal Program Revenues	--	--	11,919	11,919	
5020	Total Revenues	9,287,712	9,287,712	8,911,183	(376,529)	
EXPENDITURES:						
Current:						
Instructional & Instructional Related Services:						
0011	Instruction	5,060,110	5,256,489	5,215,134	41,355	
0012	Instructional Resources and Media Services	150,095	154,095	153,311	784	
0013	Curriculum and Staff Development	66,267	71,125	35,988	35,137	
	Total Instruction & Instr. Related Services	5,276,472	5,481,709	5,404,433	77,276	
Instructional and School Leadership:						
0023	School Leadership	565,638	598,503	584,889	13,614	
	Total Instructional & School Leadership	565,638	598,503	584,889	13,614	
Support Services - Student (Pupil):						
0031	Guidance, Counseling and Evaluation Services	209,360	204,494	182,944	21,550	
0033	Health Services	58,648	58,648	56,160	2,488	
0034	Student (Pupil) Transportation	356,946	356,946	324,657	32,289	
0035	Food Services	6,000	19,000	18,697	303	
0036	Cocurricular/Extracurricular Activities	499,112	539,321	531,813	7,508	
	Total Support Services - Student (Pupil)	1,130,066	1,178,409	1,114,271	64,138	
Administrative Support Services:						
0041	General Administration	440,047	470,093	470,003	90	
	Total Administrative Support Services	440,047	470,093	470,003	90	
Support Services - Nonstudent Based:						
0051	Plant Maintenance and Operations	1,235,394	1,289,121	1,252,262	36,859	
0052	Security and Monitoring Services	47,538	47,538	46,592	946	
0053	Data Processing Services	20,850	16,431	16,431	--	
	Total Support Services - Nonstudent Based	1,303,782	1,353,090	1,315,285	37,805	
Debt Service:						
0071	Principal on Long-Term Debt	270,698	255,199	235,000	20,199	
0072	Interest on Long-Term Debt	18,432	16,108	35,698	(19,590)	
0073	Bond Issuance Costs and Fees	--	--	609	(609)	
	Total Debt Service	289,130	271,307	271,307	--	
Intergovernmental Charges:						
0093	Payments to Fiscal Agent/Member Dist.-SSA	201,577	187,010	187,010	--	
0095	Payments to Juvenile Justice Alternative					
0095	Education Programs	16,800	18,103	18,103	--	
0099	Other Intergovernmental Charges	64,200	70,052	70,052	--	
	Total Intergovernmental Charges	282,577	275,165	275,165	--	
6030	Total Expenditures	9,287,712	9,628,276	9,435,353	192,923	

VAN VLECK INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2009

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	--	(340,564)	(524,170)	(183,606)
	Other Financing Sources (Uses):				
8911	Transfers Out	--	(16,000)	(15,011)	989
7080	Total Other Financing Sources and (Uses)	--	(16,000)	(15,011)	989
1200	Net Change in Fund Balance	--	(356,564)	(539,181)	(182,617)
0100	Fund Balance - Beginning	2,148,868	2,148,868	2,148,868	--
3000	Fund Balance - Ending	\$ 2,148,868	\$ 1,792,304	\$ 1,609,687	\$ (182,617)

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2009

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. In accordance with State law the budgets must be prepared in accordance with GAAP and in accordance with the Texas Education Agency the District is required to adopt a budget for the general fund, food service fund and debt service fund.

The District exceeded budget in debt service interest and bond issuance costs and fees; however the District did not exceed debt service in total.



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, 2009*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2000 and Prior Years	\$ Various	\$ Various	\$ Various
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	1.28	--	405,648,203
2008	.98	--	438,256,327
2009 (School Year Under Audit)	.9819	--	532,851,818

1000 Totals

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

10 Beginning Balance 9/1/08	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/09
\$ 278,013	\$ --	\$ 11,192	\$ --	\$ (2,314)	\$ 264,507
29,568	--	1,324	--	(301)	27,943
27,787	--	1,997	--	(309)	25,481
31,892	--	3,926	--	(325)	27,641
43,307	--	7,583	--	(312)	35,412
48,933	--	9,169	--	(332)	39,432
57,754	--	11,925	--	(337)	45,492
103,035	--	24,153	--	(695)	78,187
148,808	--	55,557	--	(3,986)	89,265
--	5,232,072	4,991,354	--	(14,136)	226,582
<u>\$ 769,097</u>	<u>\$ 5,232,072</u>	<u>\$ 5,118,180</u>	<u>\$ --</u>	<u>\$ (23,047)</u>	<u>\$ 859,942</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

VAN VLECK INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2010-2011
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009*

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 162,562	\$ 198,391	\$ --	\$ 542	\$ 361,495
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	--	--	23,215	--	--	--	23,215
6212	Audit Services	--	--	--	12,250	--	--	12,250
6213	Tax Appraisal and Collection	--	70,052	--	--	--	--	70,052
621X	Other Prof. Services	1,776	17,118	2,767	12,400	--	--	34,061
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	3,114	--	--	--	3,114
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	2,376	5,450	--	--	7,826
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	3,970	4,441	--	342	8,753
6410	Travel, Subsistence, Stipends	4,195	--	8,503	2,131	--	--	14,829
6420	Ins. and Bonding Costs	--	--	--	7,363	--	--	7,363
6430	Election Costs	3,718	--	--	--	--	--	3,718
6490	Miscellaneous Operating	4,163	--	1,234	3,973	--	2,519	11,889
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 13,852 \$ 87,170 \$ 207,741 \$ 246,399 \$ -- \$ 3,403 \$ 558,565

Total Expenditures for General and Special Revenue Funds (9) \$ 10,614,633

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,301
Total Debt & Lease (6500)	(11)	\$ 271,307
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,260,235
Food (Function 35, 6341 and 6499)	(13)	\$ 212,553
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 246,399

Subtotal 1,991,795

Net Allowed Direct Cost \$ 8,622,838

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 7,372,520
Historical Cost of Buildings over 50 years old	(16)	803,662
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,782,517
Historical Cost of Furniture & Equipment over 16 years old	(19)	130,951
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$11,505 in Function 53 expenditures and \$70,052 in Function 99 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, 2009

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2009 (Exhibit C-1 object 3000 for the General Fund only)	\$ 1,609,687
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	263,944
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	400,000
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 one month's average cash disbursements during the regular school session (9/1/09 - 5/31/10)	970,000
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)	1,633,944
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ (24,257)

If Item 11 is a Positive Number

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 196,000	\$ 196,818	\$ 818
5800 <i>State Program Revenues</i>	2,700	2,614	(86)
5900 <i>Federal Program Revenues</i>	286,827	280,789	(6,038)
5020 Total Revenues	<u>485,527</u>	<u>480,221</u>	<u>(5,306)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	491,527	486,082	5,445
Total Support Services - Student (Pupil)	<u>491,527</u>	<u>486,082</u>	<u>5,445</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	10,000	9,150	850
Total Support Services - Nonstudent Based	<u>10,000</u>	<u>9,150</u>	<u>850</u>
6030 Total Expenditures	<u>501,527</u>	<u>495,232</u>	<u>6,295</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(16,000)</u>	<u>(15,011)</u>	<u>989</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	16,000	15,011	(989)
7080 Total Other Financing Sources and (Uses)	<u>16,000</u>	<u>15,011</u>	<u>(989)</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, 2009, which collectively comprise the Van Vleck Independent School District's basic financial statements and have issued our report thereon dated December 22, 2009. 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 09-1 and 09-2. 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 December 22, 2009.

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

Respectfully submitted,

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

Reed & Associates, PC
December 22, 2009

REED & ASSOCIATES, PC

1717 8th Street, Suite 5
Bay City, Texas 77414

Independent Auditor's Report

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

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

Members of the Board of Trustees:

Compliance

We have audited the compliance of Van Vleck Independent School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2009. Van Vleck Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Van Vleck Independent School District's management. Our responsibility is to express an opinion on Van Vleck Independent School District's compliance based on our audit.

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

In our opinion, Van Vleck 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, 2009.

Internal Control Over Compliance

The management of Van Vleck 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 Van Vleck Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Van Vleck Independent School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Respectfully submitted,

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

Reed & Associates, PC
December 22, 2009

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2009

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555 & 10.553	Child Nutrition Cluster
10.565	Commodity Supplemental Food Program

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

Auditee qualified as low-risk auditee? Yes X No

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2009

B. Financial Statement Findings

09-1 Condition: Controls over the general ledger need improvement

Criteria: Personnel should have appropriate knowledge of Generally Accepted Accounting Principles (GAAP) and apply them to provide accurate financial data for effective management decisions to be made.

Effect: Not all receivables, deferrals and other related entries were recorded to allow for proper GAAP financial statements resulting in significant audit corrections.

Recommendation: Appropriate personnel should receive training on the identification, calculation, coding and recording of information in compliance with GAAP. Written controls should be in place requiring comparison of balance sheet accounts to appropriate subsidiary ledgers, worksheets, templates, etc for accuracy.

09-2 Condition: Controls over processing activity account expenditures need improvement

Criteria: The District has a fiscal responsibility to ensure internal controls are in place to ensure only properly documented and authorized expenditures are made from activity funds.

Effect: Expenditures were paid without proper authorization and/or valid supporting documentation.

Recommendation: Written control procedures addressing proper authorization and documentation should be communicated to all personnel and strictly followed.

C. Federal Award Findings and Questioned Costs

NONE

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2009

Finding/Recommendation	Current Status	Mgmt's Explanation If Not Implemented
<p>08-1 Condition: Cash accounts are not reconciled timely.</p> <p>Recommendation: Written controls should be in place requiring reconciliations within a reasonable period of time in the following month. The reconciliation should be approved by a supervisor to ensure accuracy and compliance with those controls.</p>	Implemented	
<p>08-2 Condition: Subsidiary ledger for capital assets to be depreciated was mathematically incorrect in totalling assets as well as calculating current year depreciation.</p> <p>Recommendation: At least annually, the depreciation spreadsheet additions should be compared to all capital additions per the general ledger, depreciation calculations tested for accuracy and spreadsheet formulas reviewed for accuracy when adding rows and/or columns to the spreadsheet. A supervisor should approve the final schedule for audit.</p>	Implemented	
<p>08-3 Condition: Controls over expenditure processing need improvement.</p> <p>Recommendation: Written controls should be established separating the duty of approving purchase orders or check requests for payment and processing (including posting to the general ledger) expenditures for payment. There should be a segregation of duties between the person responsible for signing checks, posting to the general ledger and reconciling the bank account.</p>	Implemented	
<p>08-4 Condition: Controls over the general ledger need improvement</p> <p>Recommendation: Appropriate personnel should receive training on the identification, calculation, coding and recording of information in compliance with GAAP. Written controls should be in place requiring comparison of balance sheet accounts to appropriate subsidiary ledgers, worksheets, templates, etc for accuracy.</p>	In progress	Client is still in process of learning all required entries needed to comply with GAAP.
<p>08-5 Condition: Controls over recording of activity accounts are weak.</p> <p>Recommendation: A written activity manual should be established clearly defining activity accounts and how they are to be accounted individually as well as incorporated into the District financial records. All accounts not meeting the definition should immediately be terminated. The information recorded in the District general ledger should be compared to the supporting activity records monthly for accuracy.</p>	Implemented	

VAN VLECK INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2009

2009-1

Condition: Controls over the general ledger need improvement

Recommendation: Appropriate personnel should receive training on the identification, calculation, coding and recording of information in compliance with GAAP. Written controls should be in place requiring comparison of balance sheet accounts to appropriate subsidiary ledgers, worksheets, templates, etc for accuracy.

Corrective action: Staff development to include all levels of employees associated with coding and/or processing of expenditures will be scheduled prior to the end of the 2010 fiscal year. Written internal control procedures will be updated to include procedures for reviewing and adjusting the general ledger to reflect GAAP accounting.

Contact person and completion date: Dr. Cynthia Clary, August 31, 2010.

2009-2

Condition: Controls over processing activity account expenditures need improvement

Recommendation: Written control procedures addressing proper authorization and documentation should be communicated to all personnel and strictly followed.

Corrective action: In addition to the staff development noted above, the employee handbook will be updated to include reference to employee reimbursement policies. All employees must acknowledge receipt of this handbook.

Contact person and completion date: Gayle Blackmon, August 31, 2010.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT K-1

	(1)	(2)	(2A)	(3)
Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
	U. S. DEPARTMENT OF EDUCATION			
	Passed Through State Department of Education:			
211	<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010a	0961010115890	\$ 8,446
211	<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	9610101158906	103,582
	Total CFDA Number 84.010a			<u>112,028</u>
204	<i>ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act</i>	84.186a	9691001158906	2,280
262	<i>Title II Part D Enhancing Education Through Technology</i>	84.318x	9630001158906	987
255	<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	09694501158906	1,584
255	<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	9694501158906	31,103
	Total CFDA Number 84.367a			<u>32,687</u>
285	<i>ESEA, Title I, Part A - Improving Basic Programs - ARRA</i>	84.389	10551001158906	3,059
266	<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund</i>	84.394	10557001158906	14,828
	Total Passed Through State Department of Education			<u>165,869</u>
	Passed Through Bay City ISD:			
224	<i>IDEA-B Formula *</i>	84.027	158901	4,374
224	<i>IDEA-B Formula *</i>	84.027	158901	81,979
	Total CFDA Number 84.027			<u>86,353</u>
225	<i>IDEA-B Preschool *</i>	84.173	158901	19,356
	Total Passed Through Bay City ISD			<u>105,709</u>
	Total U. S. Department of Education			<u>271,578</u>
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed Through State Department of Education:			
559	School Breakfast Program *	10.553	71400901	90,489
240	National School Lunch Program *	10.555	71300901	161,778
	Total Passed Through State Department of Education			<u>252,267</u>
	Passed Through State Department of Agriculture:			
558	Commodity Supplemental Food Program (Non-cash)	10.565	158906A2009	28,522
	Total U. S. Department of Agriculture			<u>280,789</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>552,367</u>

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

The accompanying notes are an integral part of this schedule.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2009

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Van Vleck Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2009*

<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?	\$ --

