

VAN VLECK
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2010



Van Vleck Independent School District

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

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Introductory Section



Van Vleck Independent School District

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, 2010, at a meeting of the board of trustees of such school district on the 13 day of December, 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)



Van Vleck Independent School District

Financial Section



Van Vleck Independent School District

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, 2010, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Van Vleck Independent School District as of August 31, 2010, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2010, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Van Vleck Independent School District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, other supplementary information except that part marked "unaudited" and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and other supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

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

Reed & Associates, PC
November 24, 2010

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, 2010. 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.

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*.

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.

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.

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.

District-wide Financial Analysis

The District's net assets at August 31, 2010 and 2009 are summarized as follows:

VAN VLECK INDEPENDENT SCHOOL DISTRICT'S NET ASSETS

	Governmental Activities		Variance
	8/31/2010	8/31/2009	
Current and other assets	\$ 2,739,452	\$ 2,962,593	\$ (223,141)
Capital assets	3,831,368	4,157,375	(326,007)
Total assets	6,570,820	7,119,968	(549,148)
Other liabilities	375,999	959,803	(583,804)
Long-term liabilities outstanding	520,000	765,000	(245,000)
Total liabilities	895,999	1,724,803	(828,804)
Net assets:			
Invested in capital assets, net of related debt	3,311,368	3,392,375	(81,007)
Restricted	297,869	344,305	(46,436)
Unrestricted	2,065,584	1,658,485	407,099
Total net assets	\$ 5,674,821	\$ 5,395,165	\$ 279,656

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 \$5,674,821 at the close of the most recent fiscal year, August 31, 2010.

A large portion of the District's net assets (58 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 (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (37 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 increased by \$407,099 while the invested in capital assets and restricted net assets decreased by \$81,007 and \$46,436 respectively for an overall increase to net assets of \$279,656. 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, 2010 and 2009 are summarized as follows:

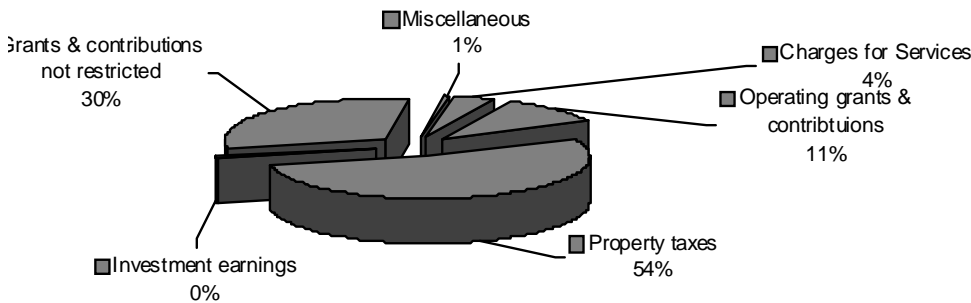
VAN VLECK INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	Governmental Activities		Variance
	8/31/2010	8/31/2009	
Revenues:			
Program Revenues:			
Charges for services	\$ 409,646	\$ 421,845	\$ (12,199)
Operating grants & contributions	1,621,123	1,085,555	535,568
General Revenues:			
Property taxes	5,885,231	5,404,962	480,269
Investment earnings	13,097	49,406	(36,309)
Grants & contributions not restricted for specific purpose	3,037,289	3,014,187	23,102
Miscellaneous	8,989	54,283	(45,294)
Total revenues	<u>10,975,375</u>	<u>10,030,238</u>	<u>945,137</u>
Expenses:			
Instruction	5,981,326	5,957,840	23,486
Instructional resources and media	152,002	177,745	(25,743)
Curriculum and staff development	37,979	45,770	(7,791)
Instructional leadership	15	468	(453)
School leadership	551,457	634,853	(83,396)
Guidance and counseling	229,762	233,016	(3,254)
Health services	85,246	59,297	25,949
Student transportation	323,415	339,430	(16,015)
Food service	572,644	522,985	49,659
Extracurricular activities	584,752	585,734	(982)
General administration	516,903	493,672	23,231
Plant maintenance and operations	1,356,044	1,309,588	46,456
Security and monitoring services	57,614	48,401	9,213
Data processing services	17,310	17,079	231
Interest on long-term debt	25,672	35,290	(9,618)
Bond issuance costs and fees	6,439	6,639	(200)
Shared Service Payments	140,269	187,010	(46,741)
Other Intergovernmental Charge:	56,870	70,052	(13,182)
Total expenses	<u>10,695,719</u>	<u>10,724,869</u>	<u>(29,150)</u>
Increase in net assets	<u>279,656</u>	<u>(694,631)</u>	<u>974,287</u>
Net assets, beginning	<u>5,395,165</u>	<u>6,089,796</u>	<u>(694,631)</u>
Net assets ending	<u>\$ 5,674,821</u>	<u>\$ 5,395,165</u>	<u>\$ 279,656</u>

Governmental activities. Governmental activities increased the District’s net assets by \$279,656 compared to the prior year decrease of \$694,631; Key elements comparing current to prior year are as follows:

- Property tax values increased over \$30,000,000 and the tax rate was increased from .9819 per \$100 to 1.01 per \$100 resulting in an overall increase in tax revenue of \$480,269.
- Operating grants increased \$535,569 of which \$369,108 is due to new federal ARRA stimulus funds and \$100,000 is due to a one-time donor contribution. The remaining increase is spread among the various grants.
- Enrollment and attendance increased resulting in increased state revenues.
- Some of the more significant expenditure variances include an increase in plant maintenance and operations due to increased windstorm insurance premiums; an increase in food service costs due to offering of free breakfast to all children as well as increased participation, wages and food costs; a decrease in school leadership costs in payroll due to an elimination of a principal position at the High School; and a decrease in shared service arrangement costs due to the allocation of prior year fund balance by the fiscal agent to absorb part of the current year shared service costs. Instructional costs increased due to a state mandated salary increase and step increase for teachers, librarians and counselors.

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 \$1,940,342, an increase of \$250,293. \$1,642,473 of this total constitutes unreserved fund balance, of which \$400,000 has been designated for future construction needs and the remaining \$1,272,473 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, donor stipulations 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 \$1,242,473. 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 13 percent of total general fund expenditures.

The fund balance of the general fund increased by \$153,506 compared to the prior year decrease of \$539,181. Key elements comparing current year to prior year are as follows:

- Property tax revenue on a modified accrual basis increased over \$500,000 due to an increase in taxable values of over \$30,000,000 and an increase in tax rate from .9819 to 1.01 per \$100.
- State revenue increased due to an increase in enrollment and attendance.
- Instructional costs were down \$234,907 from prior year due primarily to the use of State Fiscal Stabilization Grant Funds of \$294,508 to absorb some of these costs.

General Fund Budgetary Highlights. The Board of Trustees approved budget amendments throughout the year increasing estimated revenue \$198,757 and appropriations by \$198,757. The most significant amendments were to instructional costs of \$106,442.

Actual Revenues were greater than budgetary estimates by a \$273,411 while actual expenditures exceeded appropriations by \$9,447. Some of the more significant variances are described below:

- State funds were greater than estimated by \$271,847 due to increased average daily attendance as well as the shifting of High School allotment funds of \$72,000 from a special revenue fund to the general fund for 2009-2010.
- The District exceeded the instruction budget by \$12,375.

Debt administration events during the current fiscal year included scheduled principal payments of \$245,000.

Capital Assets

	Governmental Activities		
	8/31/2010	8/31/2009	Variance
Land	\$ 423,398	\$ 423,398	\$ 0
Buildings & Improvements	7,372,520	7,372,520	0
Equipment	783,449	783,449	0
Vehicles	990,713	999,068	(8,355)
Totals	9,570,080	9,578,435	(8,355)
Less accumulated depreciation	(5,738,712)	(5,421,060)	(317,652)
	<u>\$ 3,831,368</u>	<u>\$ 4,157,375</u>	<u>\$ (326,007)</u>

The most significant transaction in capital assets during the year was the recognition of depreciation expense of \$331,152.

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 2011 Budget were as follows:

- Appraised values used for the 2011 budget preparation were down approximately 10% from 2010. The District's refined ADA is expected to be 901, a decline from 2010. These indicators were taken into account when adopting the tax rate of \$1.04 and the general fund budget for 2011. State revenue will increase due to the decrease in property taxes during the 2011 budget cycle; however decreased ADA will offset some of the state revenue increase. The District was identified as a Chapter 41 district for the 2011 budget year and is expecting a reduction in state revenue of \$31,393.
- In reference to expenditures, the greatest percentage of the budget is salaries. Van Vleck ISD strives to maintain and attract quality teachers and paraprofessionals. With this effort, there is an increase in teacher and paraprofessional salaries due to step increases. The District is also continuing to make payments on a tax note with a final payment due in 2012. Finally, the increased costs of insurance and utilities are also included in the budget.

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AUGUST 31, 2010

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,755,739
1120	<i>Current Investments</i>	14,423
1225	<i>Property Taxes Receivable (Net)</i>	418,003
1240	<i>Due from Other Governments</i>	402,672
1250	<i>Accrued Interest</i>	37
1300	<i>Inventories</i>	20,828
1410	<i>Deferred Expenses</i>	121,720
1420	<i>Capitalized Bond and Other Debt Issuance Costs</i>	6,030
Capital Assets:		
1510	<i>Land</i>	423,398
1520	<i>Buildings and Improvements, Net</i>	3,034,196
1530	<i>Furniture and Equipment, Net</i>	373,774
1000	Total Assets	<u>6,570,820</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	6,161
2140	<i>Interest Payable</i>	922
2165	<i>Accrued Liabilities</i>	356,833
2300	<i>Unearned Revenue</i>	12,083
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	255,000
2502	<i>Due in More Than One Year</i>	265,000
2000	Total Liabilities	<u>895,999</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	3,311,368
Restricted For:		
3820	State and Federal Programs	12,760
3870	Campus Activities	36,066
3890	Deferred Expenditures	120,720
Other Purposes		
3890	Expendable	114,323
3890	Nonexpendable	14,000
3900	Unrestricted	2,065,584
3000	Total Net Assets	<u>\$ 5,674,821</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, 2010

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>	\$ 5,967,121	\$ 126,509	\$ 1,009,331	\$ (4,831,281)	
12	<i>Instructional Resources and Media Services</i>	152,002	14,557	5,391	(132,054)	
13	<i>Curriculum and Staff Development</i>	37,979	--	1,805	(36,174)	
21	<i>Instructional Leadership</i>	15	--	--	(15)	
23	<i>School Leadership</i>	551,457	18,046	25,828	(507,583)	
31	<i>Guidance, Counseling, & Evaluation Services</i>	229,762	--	12,734	(217,028)	
33	<i>Health Services</i>	85,246	16	23,987	(61,243)	
34	<i>Student Transportation</i>	323,608	--	15,794	(307,814)	
35	<i>Food Service</i>	572,644	197,951	370,592	(4,101)	
36	<i>Cocurricular/Extracurricular Activities</i>	596,264	46,864	12,710	(536,690)	
41	<i>General Administration</i>	516,903	1,339	18,544	(497,020)	
51	<i>Plant Maintenance and Operations</i>	1,358,544	4,182	122,811	(1,231,551)	
52	<i>Security and Monitoring Services</i>	57,614	182	1,291	(56,141)	
53	<i>Data Processing Services</i>	17,310	--	305	(17,005)	
72	<i>Interest on Long-term Debt</i>	25,672	--	--	(25,672)	
73	<i>Bond Issuance Costs and Fees</i>	6,439	--	--	(6,439)	
93	<i>Payments Related to Shared Services Arrangements</i>	140,269	--	--	(140,269)	
99	<i>Other Intergovernmental Charges</i>	56,870	--	--	(56,870)	
TG	Total Governmental Activities	10,695,719	409,646	1,621,123	(8,664,950)	
TP	Total Primary Government	\$ 10,695,719	\$ 409,646	\$ 1,621,123	(8,664,950)	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				5,885,231	
IE	<i>Investment Earnings</i>				13,097	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				3,037,289	
MI	<i>Miscellaneous</i>				8,989	
TR	Total General Revenues				8,944,606	
CN	Change in Net Assets				279,656	
NB	Net Assets - Beginning				5,395,165	
NE	Net Assets - Ending				\$ 5,674,821	

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2010

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 1,597,730	\$ 158,009	\$ 1,755,739
1120	Current Investments	--	14,423	14,423
1225	Taxes Receivable, Net	418,003	--	418,003
1240	Due from Other Governments	292,560	110,112	402,672
1250	Accrued Interest	--	37	37
1260	Due from Other Funds	64,446	--	64,446
1300	Inventories	--	20,828	20,828
1410	Deferred Expenditures	120,720	1,000	121,720
1000	Total Assets	<u>\$ 2,493,459</u>	<u>\$ 304,409</u>	<u>\$ 2,797,868</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 5,720	\$ 441	\$ 6,161
2160	Accrued Wages Payable	249,343	48,664	298,007
2170	Due to Other Funds	--	64,446	64,446
2200	Accrued Expenditures	57,200	1,626	58,826
2300	Unearned Revenue	418,003	12,083	430,086
2000	Total Liabilities	<u>730,266</u>	<u>127,260</u>	<u>857,526</u>
FUND BALANCES:				
Reserved Fund Balances:				
3430	Prepaid Items	120,720	--	120,720
3450	Reserve for Food Service	--	12,760	12,760
3490	Other Reserves of Fund Balance	--	164,389	164,389
Unreserved Fund Balance:				
3510	Designated for Construction	400,000	--	400,000
3600	Undesignated	1,242,473	--	1,242,473
3000	Total Fund Balances	<u>1,763,193</u>	<u>177,149</u>	<u>1,940,342</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,493,459</u>	<u>\$ 304,409</u>	<u>\$ 2,797,868</u>

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, 2010*

Total fund balances - governmental funds balance sheet	\$ 1,940,342
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.	3,831,368
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	418,003
Payables for interest which are not due in the current period are not reported in the funds.	(922)
Payables for notes which are not due in the current period are not reported in the funds.	(520,000)
Unamortized debt issuance costs are not reported in the funds.	6,030
	<hr/>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 5,674,821</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, 2010

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 5,854,706	\$ 465,983	\$ 6,320,689
5800 <i>State Program Revenues</i>	3,462,654	33,554	3,496,208
5900 <i>Federal Program Revenues</i>	19,573	1,033,630	1,053,203
5020 Total Revenues	<u>9,336,933</u>	<u>1,533,167</u>	<u>10,870,100</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	4,966,022	811,863	5,777,885
0012 <i>Instructional Resources and Media Services</i>	132,954	13,402	146,356
0013 <i>Curriculum and Staff Development</i>	34,720	1,805	36,525
0023 <i>School Leadership</i>	514,484	16,808	531,292
0031 <i>Guidance, Counseling, & Evaluation Services</i>	222,361	--	222,361
0033 <i>Health Services</i>	83,348	15	83,363
0034 <i>Student Transportation</i>	312,209	618	312,827
0035 <i>Food Service</i>	12,830	543,203	556,033
0036 <i>Cocurricular/Extracurricular Activities</i>	561,299	16,361	577,660
0041 <i>General Administration</i>	499,990	1,233	501,223
0051 <i>Plant Maintenance and Operations</i>	1,288,645	30,874	1,319,519
0052 <i>Security and Monitoring Services</i>	58,452	198	58,650
0053 <i>Data Processing Services</i>	16,768	--	16,768
0071 <i>Principal on Long-term Debt</i>	245,000	--	245,000
0072 <i>Interest on Long-term Debt</i>	26,098	--	26,098
0073 <i>Bond Issuance Costs and Fees</i>	409	--	409
0093 <i>Payments to Shared Service Arrangements</i>	140,269	--	140,269
0095 <i>Payments to Juvenile Justice Alternative Education Programs</i>	10,699	--	10,699
0099 <i>Other Intergovernmental Charges</i>	56,870	--	56,870
6030 Total Expenditures	<u>9,183,427</u>	<u>1,436,380</u>	<u>10,619,807</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>153,506</u>	<u>96,787</u>	<u>250,293</u>
1200 Net Change in Fund Balances	<u>153,506</u>	<u>96,787</u>	<u>250,293</u>
0100 Fund Balances - Beginning	<u>1,609,687</u>	<u>80,362</u>	<u>1,690,049</u>
3000 Fund Balances - Ending	<u>\$ 1,763,193</u>	<u>\$ 177,149</u>	<u>\$ 1,940,342</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, 2010*

Net change in fund balances - total governmental funds	\$ 250,293
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	5,146
The depreciation of capital assets used in governmental activities is not reported in the funds.	(331,152)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	115,973
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	245,000
Debt 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>426</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 279,656</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, 2010

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Scholarship Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 15,331	\$ 42,958
1000	Total Assets	<u>\$ 15,331</u>	<u>\$ 42,958</u>
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ --	\$ 42,958
2400	<i>Payable from Restricted Assets</i>	2,700	--
2000	Total Liabilities	<u>2,700</u>	<u>42,958</u>
	NET ASSETS		
3800	<i>Held in Trust</i>	12,631	--
3000	Total Net Assets	<u>\$ 12,631</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, 2010

	Private- Purpose Trusts
Additions:	
Gifts & Bequests	\$ 2,648
Total Additions	<u>2,648</u>
Deductions:	
Scholarship Awards	<u>4,200</u>
Total Deductions	<u>4,200</u>
Change in Net Assets	(1,552)
Net Assets-Beginning of the Year	14,183
Net Assets-End of the Year	<u>\$ 12,631</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, 2010

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, 2010

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, 2010

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, 2010

1. Cash Deposits:

At August 31, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,116,531 and the bank balance was \$1,339,559. The District's cash deposits at August 31, 2010 and during the year ended August 31, 2010, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

The District's investment at August 31, 2010 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	\$ 711,958
Certificate of Deposit	< 1 year	N/A	14,423
Total Investments			<u>\$ 726,381</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, 2010

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 a 2a7 like pool governed by an eleven member board.

C. Capital Assets

Capital asset activity for the year ended August 31, 2010, 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	999,068	5,145	13,500	990,713
Total capital assets being depreciated	<u>9,155,037</u>	<u>5,145</u>	<u>13,500</u>	<u>9,146,682</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,133,784)	(204,540)	--	(4,338,324)
Equipment	(576,852)	(64,974)	--	(641,826)
Vehicles	(710,424)	(61,638)	(13,500)	(785,562)
Total accumulated depreciation	<u>(5,421,060)</u>	<u>(331,152)</u>	<u>(13,500)</u>	<u>(5,766,712)</u>
Total capital assets being depreciated, net	<u>3,733,977</u>	<u>(326,007)</u>	<u>--</u>	<u>3,407,970</u>
Governmental activities capital assets, net	<u>\$ 4,157,375</u>	<u>\$ (326,007)</u>	<u>\$ --</u>	<u>\$ 3,831,368</u>

Depreciation was charged to functions as follows:

Instruction	\$ 189,237
Instructional Resources and Media Services	5,646
Curriculum and Staff Development	1,454
Instructional Leadership	15
School Leadership	20,165
Guidance, Counseling, & Evaluation Services	7,401
Health Services	1,883
Student Transportation	10,781
Food Services	16,611
Extracurricular Activities	18,604
General Administration	15,680
Plant Maintenance and Operations	41,596
Security and Monitoring Services	1,537
Data Processing Services	542
	<u>\$ 331,152</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

D. Interfund Balances and Activities

1. Balances due to and due from other funds at August 31, 2010, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 64,446	Short-term loans

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

E. Long-Term Obligations

1. Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2010, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Maintenance tax notes	\$ 765,000	\$ --	\$ 245,000	\$ 520,000	\$ 255,000
Total governmental activities	\$ 765,000	\$ --	\$ 245,000	\$ 520,000	\$ 255,000

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

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 255,000	\$ 16,098	\$ 271,098
2012	265,000	5,499	270,499
Totals	\$ 520,000	\$ 21,597	\$ 541,597

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. 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.

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, 2010, 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 two fiscal years are as follows:

	8/31/10	8/31/09
Unpaid claims, beginning	\$ 40,271	\$ 38,538
Incurred claims	54,256	51,763
Change in IBNR	6,596	(17,793)
Paid claims	(49,279)	(32,237)
Unpaid claims, ending	\$ 51,844	\$ 40,271

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

Property Casualty

During the year ended August 31, 2010, 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, 2010, 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, 2010 are available for inspection at the Fund's administrative offices.

Unemployment Compensation Pool

During the year ended August 31, 2010, 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, 2009 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

G. 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.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2010, 2009 and 2008 were \$407,628, \$387,061 and \$373,197, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2010, 2009 and 2008 were \$78,997, \$71,911 and \$65,514, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$333,162 for the year ended August 31, 2010.

H. 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 2010, 2009 and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$60,669, \$58,000, and \$56,151, respectively, the active member contributions were \$41,400, \$39,311, and \$37,903, respectively, and the District's contributions were \$38,053, \$35,741, and \$34,233, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$15,767, \$13,974, and \$13,473, respectively.

I. Employee Health Care Coverage

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the Plan). The District 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 third party administrator, acting on behalf of the 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 third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

J. Commitments and Contingencies

1. Contingencies

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

K. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides alternative education for 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	\$ 71,688
Palacios ISD	2,984
Van Vleck ISD	10,699
Tidehaven ISD	3,570
Total	\$ 88,941

Shared Services Arrangement - Membership

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

Member Districts

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:

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

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.

L. Disaggregated Receivables

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

	General	Nonmajor Funds	Totals
Real Property Taxes	\$ 963,955	\$ --	\$ 963,955
Business Personal Property Taxes	276	--	276
Less allowance on taxes	(546,228)	--	(546,228)
	<u>\$ 418,003</u>	<u>\$ --</u>	<u>\$ 418,003</u>
Due from Other Governments:			
TEA	\$ 292,560	\$ 103,934	\$ 396,494
Other Governments	--	6,177	6,177
	<u>\$ 292,560</u>	<u>\$ 110,111</u>	<u>\$ 402,671</u>

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

M. 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	\$ 5,647,535	\$ --	\$ 5,647,535
Penalties & interest	121,722	--	121,722
Tuitions and fees	34,542	--	34,542
Investment earnings	12,824	654	13,478
Food service fees	--	201,936	201,936
Athletic receipts	29,093	--	29,093
Extra Curricular Activities	--	64,692	64,692
Other	8,989	--	8,989
Shared Service Arrangement Fees	--	88,941	88,941
Gifts & Bequests	--	109,761	109,761
	<u>\$ 5,854,705</u>	<u>\$ 465,984</u>	<u>\$ 6,320,689</u>

Required Supplementary Information

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



Van Vleck Independent School District

VAN VLECK INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

Page 1 of 2

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 5,843,294	\$ 5,843,294	\$ 5,854,706	\$ 11,412
5800	State Program Revenues	3,021,471	3,190,807	3,462,654	271,847
5900	Federal Program Revenues	--	29,421	19,573	(9,848)
5020	Total Revenues	8,864,765	9,063,522	9,336,933	273,411
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,805,437	4,953,647	4,966,022	(12,375)
0012	Instructional Resources and Media Services	158,082	132,954	132,954	--
0013	Curriculum and Staff Development	52,767	36,127	34,720	1,407
	Total Instruction & Instr. Related Services	5,016,286	5,122,728	5,133,696	(10,968)
Instructional and School Leadership:					
0023	School Leadership	481,282	514,484	514,484	--
	Total Instructional & School Leadership	481,282	514,484	514,484	--
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	215,633	222,361	222,361	--
0033	Health Services	83,785	83,348	83,348	--
0034	Student (Pupil) Transportation	380,929	312,232	312,209	23
0035	Food Services	--	12,831	12,830	1
0036	Cocurricular/Extracurricular Activities	503,962	561,355	561,299	56
	Total Support Services - Student (Pupil)	1,184,309	1,192,127	1,192,047	80
Administrative Support Services:					
0041	General Administration	470,693	500,735	499,990	745
	Total Administrative Support Services	470,693	500,735	499,990	745
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,225,747	1,288,678	1,288,645	33
0052	Security and Monitoring Services	48,038	59,115	58,452	663
0053	Data Processing Services	18,850	16,768	16,768	--
	Total Support Services - Nonstudent Based	1,292,635	1,364,561	1,363,865	696
Debt Service:					
0071	Principal on Long-Term Debt	260,499	260,499	245,000	15,499
0072	Interest on Long-Term Debt	10,599	10,599	26,098	(15,499)
0073	Bond Issuance Costs and Fees	--	409	409	--
	Total Debt Service	271,098	271,507	271,507	--
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	187,000	140,269	140,269	--
0095	Payments to Juvenile Justice Alternative Education Programs	11,000	10,699	10,699	--
0099	Other Intergovernmental Charges	60,920	56,870	56,870	--
	Total Intergovernmental Charges	258,920	207,838	207,838	--
6030	Total Expenditures	8,975,223	9,173,980	9,183,427	(9,447)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(110,458)	(110,458)	153,506	263,964

VAN VLECK INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT G-1

Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
1200 Net Change in Fund Balance	(110,458)	(110,458)	153,506	263,964
0100 Fund Balance - Beginning	1,609,687	1,609,687	1,609,687	--
3000 Fund Balance - Ending	<u>\$ 1,499,229</u>	<u>\$ 1,499,229</u>	<u>\$ 1,763,193</u>	<u>\$ 263,964</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2010

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 function 11, instruction by \$12,375 and in total by \$9,447.



Van Vleck Independent School District

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



Van Vleck Independent School District

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2010

Data Control Codes	Special Revenue Funds	Permanent Fund Gulf Coast Medical Grant	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 150,327	\$ 7,682	\$ 158,009
1120	Current Investments	--	14,423	14,423
1240	Due from Other Governments	110,112	--	110,112
1250	Accrued Interest	--	37	37
1300	Inventories	20,828	--	20,828
1410	Deferred Expenditures	1,000	--	1,000
1000	Total Assets	<u>\$ 282,267</u>	<u>\$ 22,142</u>	<u>\$ 304,409</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 441	\$ --	\$ 441
2160	Accrued Wages Payable	48,664	--	48,664
2170	Due to Other Funds	64,446	--	64,446
2200	Accrued Expenditures	1,626	--	1,626
2300	Unearned Revenue	12,083	--	12,083
2000	Total Liabilities	<u>127,260</u>	<u>--</u>	<u>127,260</u>
FUND BALANCES:				
Reserved Fund Balances:				
3450	Reserve for Food Service	12,760	--	12,760
3490	Other Reserves of Fund Balance	142,247	22,142	164,389
3000	Total Fund Balances	<u>155,007</u>	<u>22,142</u>	<u>177,149</u>
4000	Total Liabilities and Fund Balances	<u>\$ 282,267</u>	<u>\$ 22,142</u>	<u>\$ 304,409</u>



Van Vleck Independent School District

VAN VLECK INDEPENDENT SCHOOL DISTRICT

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

Data Control Codes	Special Revenue Funds	Permanent Fund Gulf Coast Medical Grant	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 465,710	\$ 273	\$ 465,983
5800 <i>State Program Revenues</i>	33,554	--	33,554
5900 <i>Federal Program Revenues</i>	1,033,630	--	1,033,630
5020 Total Revenues	<u>1,532,894</u>	<u>273</u>	<u>1,533,167</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	811,863	--	811,863
0012 <i>Instructional Resources and Media Services</i>	13,402	--	13,402
0013 <i>Curriculum and Staff Development</i>	1,805	--	1,805
0023 <i>School Leadership</i>	16,808	--	16,808
0033 <i>Health Services</i>	15	--	15
0034 <i>Student Transportation</i>	618	--	618
0035 <i>Food Service</i>	543,203	--	543,203
0036 <i>Cocurricular/Extracurricular Activities</i>	16,361	--	16,361
0041 <i>General Administration</i>	1,233	--	1,233
0051 <i>Plant Maintenance and Operations</i>	30,874	--	30,874
0052 <i>Security and Monitoring Services</i>	198	--	198
6030 Total Expenditures	<u>1,436,380</u>	<u>--</u>	<u>1,436,380</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	96,514	273	96,787
1200 Net Change in Fund Balances	<u>96,514</u>	<u>273</u>	<u>96,787</u>
0100 Fund Balances - Beginning	58,493	21,869	80,362
3000 Fund Balances - Ending	<u>\$ 155,007</u>	<u>\$ 22,142</u>	<u>\$ 177,149</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2010

Data Control Codes	204 ESEA Title IV SDFSC	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ 1,868	\$ --
1240	Due from Other Governments	1,918	7,492	4,147	1,830
1300	Inventories	--	--	--	--
1410	Deferred Expenditures	--	--	--	--
1000	Total Assets	<u>\$ 1,918</u>	<u>\$ 7,492</u>	<u>\$ 6,015</u>	<u>\$ 1,830</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ --
2160	Accrued Wages Payable	--	7,010	5,557	1,726
2170	Due to Other Funds	1,918	--	--	--
2200	Accrued Expenditures	--	482	458	104
2300	Unearned Revenue	--	--	--	--
2000	Total Liabilities	<u>1,918</u>	<u>7,492</u>	<u>6,015</u>	<u>1,830</u>
FUND BALANCES:					
Reserved Fund Balances:					
3450	Reserve for Food Service	--	--	--	--
3490	Other Reserves of Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,918</u>	<u>\$ 7,492</u>	<u>\$ 6,015</u>	<u>\$ 1,830</u>

240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	266 ARRA of 2009 Title XIV State Fiscal Stabilization	283 IDEA - Part B Formula - ARRA	285 ESEA Title 1 Part Improving Basic Programs - ARRA
\$ 2,003	\$ --	\$ --	\$ --	\$ --
12,209	22,666	47,958	200	3,608
20,828	--	--	--	--
--	--	1,000	--	--
<u>\$ 35,040</u>	<u>\$ 22,666</u>	<u>\$ 48,958</u>	<u>\$ 200</u>	<u>\$ 3,608</u>
\$ --	\$ --	\$ --	\$ --	\$ --
10,046	2,370	18,246	--	--
--	20,251	30,385	200	3,608
151	45	327	--	--
12,083	--	--	--	--
<u>22,280</u>	<u>22,666</u>	<u>48,958</u>	<u>200</u>	<u>3,608</u>
12,760	--	--	--	--
--	--	--	--	--
<u>12,760</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 35,040</u>	<u>\$ 22,666</u>	<u>\$ 48,958</u>	<u>\$ 200</u>	<u>\$ 3,608</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2010

Data Control Codes	397 Advanced Placement Incentives	401 Optional Extended Year Program	404 Student Success Initiative
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --	\$ --
1240 <i>Due from Other Governments</i>	1,485	3,347	3,252
1300 <i>Inventories</i>	--	--	--
1410 <i>Deferred Expenditures</i>	--	--	--
1000 Total Assets	<u>\$ 1,485</u>	<u>\$ 3,347</u>	<u>\$ 3,252</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ --	\$ --	\$ --
2160 <i>Accrued Wages Payable</i>	--	--	--
2170 <i>Due to Other Funds</i>	1,485	3,347	3,252
2200 <i>Accrued Expenditures</i>	--	--	--
2300 <i>Unearned Revenue</i>	--	--	--
2000 Total Liabilities	<u>1,485</u>	<u>3,347</u>	<u>3,252</u>
FUND BALANCES:			
Reserved Fund Balances:			
3450 <i>Reserve for Food Service</i>	--	--	--
3490 <i>Other Reserves of Fund Balance</i>	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,485</u>	<u>\$ 3,347</u>	<u>\$ 3,252</u>

459 Matagorda County Juvenile Justice Education Program	461 Campus Activity Funds	480 Trull Foundation Grant	483 Carrie Rudd Trust	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 29,579	\$ 36,066	\$ 410	\$ 80,401	\$ 150,327
--	--	--	--	110,112
--	--	--	--	20,828
--	--	--	--	1,000
<u>\$ 29,579</u>	<u>\$ 36,066</u>	<u>\$ 410</u>	<u>\$ 80,401</u>	<u>\$ 282,267</u>
\$ 441	\$ --	\$ --	\$ --	\$ 441
3,709	--	--	--	48,664
--	--	--	--	64,446
59	--	--	--	1,626
--	--	--	--	12,083
<u>4,209</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>127,260</u>
--	--	--	--	12,760
<u>25,370</u>	<u>36,066</u>	<u>410</u>	<u>80,401</u>	<u>142,247</u>
<u>25,370</u>	<u>36,066</u>	<u>410</u>	<u>80,401</u>	<u>155,007</u>
<u>\$ 29,579</u>	<u>\$ 36,066</u>	<u>\$ 410</u>	<u>\$ 80,401</u>	<u>\$ 282,267</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	204 ESEA Title IV SDFSC	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	224 IDEA-B Formula
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	2,475	136,660	526	93,564
5020 Total Revenues	<u>2,475</u>	<u>136,660</u>	<u>526</u>	<u>93,564</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	1,827	136,340	526	93,564
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	320	--	--
0023 <i>School Leadership</i>	--	--	--	--
0033 <i>Health Services</i>	--	--	--	--
0034 <i>Student Transportation</i>	618	--	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--	--	--
0052 <i>Security and Monitoring Services</i>	30	--	--	--
6030 Total Expenditures	<u>2,475</u>	<u>136,660</u>	<u>526</u>	<u>93,564</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	--	--
1200 Net Change in Fund Balances	--	--	--	--
0100 <i>Fund Balances - Beginning</i>	--	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	262 Enhancing Education through Technology	266 ARRA of 2009 Title XIV State Fiscal Stabilizator
\$ --	\$ 201,935	\$ --	\$ --	\$ --
--	2,756	--	--	--
<u>12,330</u>	<u>362,360</u>	<u>53,460</u>	<u>1,171</u>	<u>294,508</u>
<u>12,330</u>	<u>567,051</u>	<u>53,460</u>	<u>1,171</u>	<u>294,508</u>
12,330	--	53,460	1,171	294,508
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	543,127	--	--	--
--	--	--	--	--
--	11,164	--	--	--
--	--	--	--	--
<u>12,330</u>	<u>554,291</u>	<u>53,460</u>	<u>1,171</u>	<u>294,508</u>
--	12,760	--	--	--
--	12,760	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ 12,760</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	279 Enhancing Education through Technology-ARRA	283 IDEA - Part B Formula - ARRA	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	397 Advanced Placement Incentives
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	1,485
5900 <i>Federal Program Revenues</i>	1,976	21,850	52,750	--
5020 Total Revenues	<u>1,976</u>	<u>21,850</u>	<u>52,750</u>	<u>1,485</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	1,976	21,850	52,750	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	--	1,485
0023 <i>School Leadership</i>	--	--	--	--
0033 <i>Health Services</i>	--	--	--	--
0034 <i>Student Transportation</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--	--	--
0052 <i>Security and Monitoring Services</i>	--	--	--	--
6030 Total Expenditures	<u>1,976</u>	<u>21,850</u>	<u>52,750</u>	<u>1,485</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	--	--
1200 Net Change in Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
0100 <i>Fund Balances - Beginning</i>	--	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment	459 Matagorda County Juvenile Justice Education Program	461 Campus Activity Funds
\$ --	\$ --	\$ --	\$ 88,941	\$ 65,834
3,700	3,252	22,361	--	--
--	--	--	--	--
<u>3,700</u>	<u>3,252</u>	<u>22,361</u>	<u>88,941</u>	<u>65,834</u>
3,700	3,252	22,505	88,611	14,493
--	--	--	--	13,402
--	--	--	1,998	--
--	--	--	--	14,810
--	--	--	--	15
--	--	--	--	--
--	--	--	--	76
--	--	--	--	16,361
--	--	--	--	1,233
--	--	--	58	53
--	--	--	--	168
<u>3,700</u>	<u>3,252</u>	<u>22,505</u>	<u>90,667</u>	<u>60,611</u>
--	--	(144)	(1,726)	5,223
--	--	(144)	(1,726)	5,223
--	--	144	27,096	30,843
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 25,370</u>	<u>\$ 36,066</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	480 Trull Foundation Grant	481 Conoco Phillips Grant	483 Carrie Rudd Trust	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ 9,000	\$ 100,000	\$ 465,710
5800 State Program Revenues	--	--	--	33,554
5900 Federal Program Revenues	--	--	--	1,033,630
5020 Total Revenues	<u>--</u>	<u>9,000</u>	<u>100,000</u>	<u>1,532,894</u>
EXPENDITURES:				
Current:				
0011 Instruction	--	9,000	--	811,863
0012 Instructional Resources and Media Services	--	--	--	13,402
0013 Curriculum and Staff Development	--	--	--	1,805
0023 School Leadership	--	--	--	16,808
0033 Health Services	--	--	--	15
0034 Student Transportation	--	--	--	618
0035 Food Service	--	--	--	543,203
0036 Cocurricular/Extracurricular Activities	--	--	--	16,361
0041 General Administration	--	--	--	1,233
0051 Plant Maintenance and Operations	--	--	19,599	30,874
0052 Security and Monitoring Services	--	--	--	198
6030 Total Expenditures	<u>--</u>	<u>9,000</u>	<u>19,599</u>	<u>1,436,380</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>--</u>	<u>--</u>	<u>80,401</u>	<u>96,514</u>
1200 Net Change in Fund Balances	<u>--</u>	<u>--</u>	<u>80,401</u>	<u>96,514</u>
0100 Fund Balances - Beginning	410	--	--	58,493
3000 Fund Balances - Ending	<u>\$ 410</u>	<u>\$ --</u>	<u>\$ 80,401</u>	<u>\$ 155,007</u>

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, 2010*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2001 and Prior Years	\$ Various	\$ Various	\$ Various
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	.9819	--	532,851,818
2010 (School Year Under Audit)	1.01	--	562,580,297

1000 Totals

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

10 Beginning Balance 9/1/09	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/10
\$ 292,450	\$ --	\$ 10,838	\$ --	\$ (2,928)	\$ 278,684
25,481	--	816	--	(240)	24,425
27,641	--	1,372	--	(260)	26,009
35,412	--	1,957	--	(256)	33,199
39,432	--	3,295	--	(231)	35,906
45,492	--	5,908	--	(301)	39,283
78,187	--	14,400	--	(395)	63,392
89,265	--	17,793	--	(2,996)	68,476
226,582	--	92,068	--	(3,791)	130,723
--	5,682,061	5,397,436	--	(20,767)	263,858
<u>\$ 859,942</u>	<u>\$ 5,682,061</u>	<u>\$ 5,545,883</u>	<u>\$ --</u>	<u>\$ (32,165)</u>	<u>\$ 963,955</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

VAN VLECK INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

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

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 175,641	\$ 206,699	\$ --	\$ --	\$ 382,340
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	--	--	31,917	--	--	--	31,917
6212	Audit Services	--	--	--	12,000	--	--	12,000
6213	Tax Appraisal and Collection	--	56,870	--	--	--	--	56,870
621X	Other Prof. Services	--	17,580	1,995	12,311	--	--	31,886
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	525	2,500	--	--	3,025
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	2,376	6,782	--	--	9,158
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	4,859	4,048	--	75	8,982
6410	Travel, Subsistence, Stipends	4,008	--	8,053	1,955	--	--	14,016
6420	Ins. and Bonding Costs	--	--	--	7,323	--	--	7,323
6430	Election Costs	--	--	--	--	--	--	--
6490	Miscellaneous Operating	4,099	--	2,868	2,920	--	3,000	12,887
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 8,107 \$ 74,450 \$ 228,234 \$ 256,538 \$ -- \$ 3,075 \$ 570,404

Total Expenditures for General and Special Revenue Funds (9) \$ 10,619,807

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 11,851
Total Debt & Lease (6500)	(11)	\$ 271,507
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,310,241
Food (Function 35, 6341 and 6499)	(13)	\$ 243,804
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		<u>\$ 256,538</u>

Subtotal 2,093,941

Net Allowed Direct Cost \$ 8,525,866

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)	1,774,162
Historical Cost of Furniture & Equipment over 16 years old	(19)	185,392
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$12,311 in Function 53 expenditures and \$56,870 in Function 99 expenditures are included in this report on administrative costs.

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

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2010 (Exhibit C-1 object 3000 for the General Fund only)	\$ 1,763,193
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	120,720
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 two month's average cash disbursements during the regular school session (9/1/10 - 5/31/11)	1,940,000
6	Estimate of delayed payments from state sources (58XX) including August payment delays	--
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
8	Estimate of delayed payments from federal sources (59XX)	--
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	2,460,720
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ (697,527)

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

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 215,754	\$ 201,935	\$ (13,819)
5800 <i>State Program Revenues</i>	2,756	2,756	--
5900 <i>Federal Program Revenues</i>	352,092	362,360	10,268
5020 Total Revenues	<u>570,602</u>	<u>567,051</u>	<u>(3,551)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	558,602	543,127	15,475
Total Support Services - Student (Pupil)	<u>558,602</u>	<u>543,127</u>	<u>15,475</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	12,000	11,164	836
Total Support Services - Nonstudent Based	<u>12,000</u>	<u>11,164</u>	<u>836</u>
6030 Total Expenditures	<u>570,602</u>	<u>554,291</u>	<u>16,311</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	12,760	12,760
1200 Net Change in Fund Balance	--	12,760	12,760
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ 12,760</u>	<u>\$ 12,760</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, 2010, which collectively comprise the Van Vleck Independent School District's basic financial statements and have issued our report thereon dated November 24, 2010. 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-2 and 2010-3.

We noted certain matters that we reported to management of Van Vleck Independent School District in a separate letter dated November 24, 2010.

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,



Reed & Associates, PC
November 24, 2010

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, 2010. 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, 2010.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Van Vleck Independent School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Respectfully submitted,

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

Reed & Associates, PC
November 24, 2010

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
84.394	ARRA Title XIV State Fiscal Stabilization Funds

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

10-1 Condition: Controls over expenditure processing need improvement.

Criteria: Controls should be in place and operating to ensure only approved expenditures with valid invoices or receipts are paid with District funds.

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

Effect: Expenditures not belonging to the District, for incorrect amounts or duplicate payments may be made resulting in inappropriate expenditures and/or budget overruns.

Recommendation: Appropriate personnel should receive training on the required procedures for processing and paying expenditures of the District. These policies should be adhered to at all times.

10-2 Condition: Controls over payroll coding need improvement.

Criteria: Controls should be in place and operating to ensure approved payroll is coded in accordance with the Texas Education Agency Financial Accounting Resource Guide using appropriate function and program intent codes and that approved codes match with actual codes used in the system.

Effect: Some payroll costs were coded to incorrect program intent codes which could affect compliance with the TEA requirement to expend funds on certain mandated programs. Incorrect function codes could lead to budget overruns by function, the legally adopted level of control by the Board of Trustees as well as noncompliance with the TEA accounting requirements.

Recommendation: Appropriate personnel should be trained on the various function and program intent codes and their usage and care should be taken during the budgeting process to ensure the appropriate codes are used. All changes to payroll during the year should be in a standard, uniform format so that payroll personnel will have a clear understanding as to what documentation is appropriate for making code changes.

10-3 Condition: Campus improvement plans were not developed for the 2009-2010 fiscal year.

Criteria: State law requires the district/campus improvement plan; it is the primary record supporting expenditures attributed to the state compensatory education program.

Effect: Noncompliance with state law in support of compensatory education program expenditures.

Recommendation: Ensure district/campus improvement plans are developed for the current and future years addressing all of the required elements.

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, 2010

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>09-1 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>	<p>Mostly Implemented</p>	<p>Client is still in process of learning all of the appropriate GAAP entries needed; however significant improvement was made over prior year.</p>
<p>09-2 Condition: Controls over processing activity account expenditures need improvement.</p> <p>Recommendation: Written control procedures addressing proper authorization and documentation should be communicated to all personnel and strictly followed.</p>	<p>Implemented</p>	

VAN VLECK INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2010

10-1 Condition: Controls over expenditure processing need improvement.

Recommendation: Appropriate personnel should receive training on the required procedures for processing and paying expenditures of the District. These policies should be adhered to at all times.

Corrective action: All levels of employees associated with expenditure processing will receive training on the procedures for processing and paying expenditures of the District. Deviations from these procedures shall be noted at the monthly administration meeting for immediate correction.

Contact person and completion date: Gayle Blackmon, January 2011

10-2 Condition: Controls over payroll coding need improvement.

Recommendation: Appropriate personnel should be trained on the various function and program intent codes and their usage and care should be taken during the budgeting process to ensure the appropriate codes are used. All changes to payroll during the year should be in a standard, uniform format so that payroll personnel will have a clear understanding as to what documentation is appropriate for making code changes.

Corrective action: A standard payroll coding change form with authorized signatures will be used to document payroll coding changes.

Contact person and completion date: Gayle Blackmon, January 2011

10-3 Condition: Campus improvement plans were not developed for the 2009-2010 fiscal year.

Recommendation: Ensure district/campus improvement plans are developed for the current and future years addressing all of the required elements.

Corrective action: Each school year, the principal of each school campus, with the assistance of the campus-level committee, shall develop, review and revise the campus improvement plan. The District Improvement Committee shall develop, review and revise the District improvement plan. The Board shall annually approve District and campus plans.

Contact person and completion date: John O' Brien, August 2011

VAN VLECK INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010*

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Department of Health and Human Services:			
Medicaid Administrative Claiming (MAC) *	93.778	Unknown	\$ 19,573
Total U. S. Department of Health and Human Services			<u>19,573</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	10610101158906	136,660
<i>ESEA Title I Part C - Education of Migratory Children</i>	84.011	10615001158906	526
<i>ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act</i>	84.186	10691001158906	2,475
<i>Title II Part D Enhancing Education Through Technology *</i>	84.318	10630001158906	1,171
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	10694501158906	51,045
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	11694501158906	2,415
Total CFDA Number 84.367			<u>53,460</u>
<i>ARRA - Title II Part D Subpart 1-Enhancing Education Through Tech</i>	84.386	10553001158906	1,976
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389	10551001158906	52,750
<i>ARRA of 2009 Title XIV State Fiscal Stabilization Fund *</i>	84.394	10557001158906	294,508
Total Passed Through State Department of Education			<u>543,526</u>
Passed Through Bay City ISD:			
<i>IDEA-B Formula *</i>	84.027	106600011589016601	89,417
<i>IDEA-B Formula *</i>	84.027	116600011589016601	4,147
Total CFDA Number 84.027			<u>93,564</u>
<i>IDEA-B Preschool *</i>	84.173	106610011589016611	10,500
<i>IDEA-B Preschool *</i>	84.173	116610011589016611	1,830
Total CFDA Number 84.173			<u>12,330</u>
<i>ARRA - IDEA-Part B Formula *</i>	84.391	10554001158901	21,850
Total Passed Through Bay City ISD			<u>127,744</u>
Total U. S. Department of Education			<u>671,270</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401001	127,774
National School Lunch Program *	10.555	71301001	205,997
Total Passed Through State Department of Education			<u>333,771</u>
Passed Through State Department of Agriculture:			
Commodity Supplemental Food Program (Non-cash)	10.565	158906A	28,589
Total U. S. Department of Agriculture			<u>362,360</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,053,203</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, 2010

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, 2010*

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



Van Vleck Independent School District