

**VALENTINE INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2009**

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2009**

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ANNUAL FINANCIAL REPORT  
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CERTIFICATE OF BOARD

Valentine Independent School District  
Name of School District

Jeff Davis  
County

122-902  
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2009, at a meeting of the Board of Trustees of such school district on the \_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

## **FINANCIAL SECTION**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

Independent Auditors' Report

**UNQUALIFIED OPINION ON THE BASIC FINANCIAL STATEMENTS**

Board of School Trustees  
Valentine Independent School District  
Valentine, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valentine Independent School District (the District), as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall basic 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 Valentine Independent School District, as of August 31, 2009, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's discussion and analysis and budgetary comparison information on pages 3-8 and 28, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of Management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Valentine Independent School District's basic financial statements. The other supplementary information, including the Texas Education Agency requested schedules, listed in the table of contents is likewise presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Exhibit J-3 - Fund Balance and Cash Flow Calculation Worksheet, which is marked "Unaudited", has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on exhibit J-3.

*Balinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

December 17, 2009

# VALENTINE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

Our discussion and analysis of the Valentine Independent School District's financial performance provides an overview of the District's financial performance for the year ended August 31, 2009. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditors' Report.

The Management's Discussion and Analysis (MD&A) is an element of the new financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. The Texas Education Agency (TEA) mandated all school districts in Texas adopt the new financial reporting model effective September 1, 2001.

## FINANCIAL HIGHLIGHTS

- The net assets of the District decreased by \$59,429, or less than 2%. The District's statement of activities showed total revenues were \$1,390,503, and expenses totaled \$1,449,932.
- The District ended the year, August 31, 2009, with total net assets of \$3,048,891, and unrestricted net assets of \$2,488,360. The balance of cash and investments at August 31, 2009, was \$2,333,782.
- Total general fund expenditures were \$1,347,136 for the year ended August 31, 2009. This compares with general fund expenditures of \$1,402,987 for the year ended August 31, 2008. This decrease is attributable to a decrease in the amount of capital expenditures made in the current year.
- The District's total revenues on the fund financial statements increased from \$1,301,390 in 2007-08 to \$1,386,831 in 2008-09. This increase was primarily attributable to increased property tax revenues and federal stimulus money.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

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

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

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

The combining statements for non-major funds contain information about the District's individual non-major funds. The section labeled TEA Required Schedules contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

## **Reporting the District as a Whole**

### ***Government-Wide Financial Statements***

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

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

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

In the Statement of Net Assets and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business type activities or component units as defined in the GASB Statement no. 34.

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

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education through TEA. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's two fund types: governmental, and fiduciary – use different accounting approaches.

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

· Fiduciary funds – The District is the trustee, or fiduciary, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District implemented GASB Statement No. 34 during the year ended August 31, 2002. We did not present net asset measurements in prior years since they were not required by accounting principles generally accepted in the United States of America. Our current analysis of comparative balances and changes therein compares the prior year to the current year's operations, and discusses significant changes in the accounts. Our analysis focuses on the Net Assets (Table I) and Changes in Net Assets (Table II) of the District's governmental and business-type activities.

### Changes in Net Assets

The District's net assets decreased during the year ended August 31, 2009. The net assets decreased by \$59,429 (see Table II). Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$2,488,360 (Table I) at August 31, 2009. This compares with the District's unrestricted net assets at August 31, 2008, of \$2,495,587, a decrease of \$7,227.

**Table I**  
**Valentine Independent School District**  
**Net Assets**  
**August 31, 2009 and 2008**

	August 31,	
	2009	2008
Cash and Temporary Investments	\$ 2,333,782	\$ 2,195,477
Receivables	209,981	331,873
Capital Assets	560,531	612,733
Total Assets	\$ 3,104,294	\$ 3,140,083
Current Liabilities	\$ 55,403	\$ 31,763
Total Liabilities	\$ 55,403	\$ 31,763
Net Assets		
Invested in Capital Assets,		
Net of Related Debt	\$ 560,531	\$ 612,733
Unrestricted Net Assets	2,488,360	2,495,587
Total Net Assets	\$ 3,048,891	\$ 3,108,320

**Table II**  
**Valentine Independent School District**  
**Changes in Net Assets**  
**For the Years Ended August 31, 2009 and 2008**

	August 31,	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 4,350	\$ 5,388
Operating Grants and Contributions	90,369	56,757
General Revenues:		
Maintenance and Operations Taxes	309,731	360,123
Grants and Contributions not Restricted	955,770	852,690
Investment Earnings	23,472	86,324
Miscellaneous	6,811	3,751
Total Revenue	<u>\$ 1,390,503</u>	<u>\$ 1,365,033</u>
Expenses:		
Instruction and Instructional-Related Services	\$ 800,418	\$ 719,306
Instructional and School Leadership	100,730	105,801
Student Support Services	493	442
Student Transportation	52,538	62,142
Food Services	7,595	5,369
Extracurricular Activities	67,716	59,983
General Administration	215,310	197,830
Plant Maintenance and Operations	142,909	215,540
Facilities Acquisition and Construction	35,000	
Payments to Fiscal Agents	27,223	
	<u>\$ 1,449,932</u>	<u>\$ 1,366,413</u>
Increase in Net Assets	\$ (59,429)	\$ (1,380)
Net Assets - Beginning of Year	<u>3,108,320</u>	<u>3,109,700</u>
Net Assets - End of Year	<u>\$ 3,048,891</u>	<u>\$ 3,108,320</u>

The District's total revenues increased from \$1,365,033 in fiscal year 2008 to \$1,390,503, an increase of \$25,470. This increase was attributable to an increase in federal grant dollars received during the fiscal year. The total expenses of the District increased by \$83,519 from \$1,366,413 to \$1,449,932.

Other factors impacting the District's financial position include the following:

- The District is currently below the State maximum tax rate for maintenance and operations of \$1.04, with a rate of \$0.91000 for both fiscal years ended August 31, 2009 and 2008. The District's appraised valuation of taxable property increased from \$32,875,739 to \$35,197,720, an increase of \$2,321,981 or 7%. This increase is attributable largely to an increase in mineral values. The total school property taxes assessed for school year 2009 were \$320,299. This is an increase of \$21,130 from the \$299,169 assessed in 2008, and is attributable to the increased taxable values.

- The District's average daily attendance (ADA) is the basis for State funding at most districts. However, based on the size of the District and its sparse population, under current funding laws, the District is funded on an ADA of 130 even though its ADA is approximately 46.213.

## **Fund Balances**

The District's total Governmental Funds fund balance was \$2,391,904. This fund balance is reported in the various Governmental funds as follows:

General Fund \$441,904. This balance is available for current spending; however, it has been the practice of the District to try and maintain a fund balance that is at least equal to several months operating expenses.

General Fund Designated for Construction \$1,950,000. This balance is available for current spending; however, it has been earmarked by the Board of Trustees as designated for future planned construction projects.

## **Budgetary Highlights**

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenses.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

Financial statement footnote no. 6 discloses the capital asset activity of the District for the year ended August 31, 2009.

### **Debt**

The District currently has no outstanding indebtedness.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District has budgeted \$1,261,091 in general fund revenues for fiscal year 2009-2010. This is a decrease of \$76,169 from the \$1,337,260 actual general fund revenue for 2008-2009 fiscal year.

The District also budgeted \$1,402,360 in general fund expenditures for 2009-2010. This is an increase of \$55,224 from the actual general fund expenditures of \$1,347,136 expended in 2008-2009.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Valentine Independent School District, P.O. Box 188, Valentine, Texas 79854.

## **BASIC FINANCIAL STATEMENTS**

VALENTINE INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS  
AUGUST 31, 2009

<u>Data Control Codes</u>		Primary Government	<u>Governmental Activities</u>
	ASSETS AND OTHER DEBITS:		
1110	Cash and Temporary Investments	\$ 2,333,782	
1220	Property Taxes - Delinquent	136,265	
1230	Allowance for Uncollectible Taxes	(39,809)	
1240	Due from Other Governments	106,416	
1267	Due from Fiduciary Funds	7,109	
	Capital Assets:		
1510	Land	15,332	
1520	Building and Improvements, Net	483,935	
1530	Furniture and Equipment, Net	61,264	
			<u>61,264</u>
1000	Total Assets	\$ <u>3,104,294</u>	
	LIABILITIES:		
2110	Accounts Payable	\$ 25,328	
2160	Accrued Wages Payable	30,075	
			<u>30,075</u>
2000	Total Liabilities	\$ <u>55,403</u>	
	NET ASSETS:		
3200	Invested in Capital Assets, Net of Related Debt	\$ 560,531	
3900	Unrestricted Net Assets	2,488,360	
			<u>2,488,360</u>
3000	Total Net Assets	\$ <u><u>3,048,891</u></u>	

The accompanying notes are an integral part of this statement.

VALENTINE INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	1 <u>Expenses</u>	Program Revenues		6 Total Governmental Funds	
		3 <u>Charges for Services</u>	4 <u>Operating Grants and Contributions</u>		
11	Instruction	\$ 780,083	\$ 4,350	\$ 70,995	\$ (704,738)
12	Instructional Resources and Media Services	11,817			(11,817)
13	Curriculum and Staff Development	8,518			(8,518)
21	Instructional Leadership	3,089			(3,089)
23	School Leadership	79,030		2,272	(76,758)
31	Guidance, Counseling, and Evaluation Services	18,611			(18,611)
33	Health Services	493			(493)
34	Student Transportation	52,538		883	(51,655)
35	Food Services	7,595		6,286	(1,309)
36	Extracurricular Activities	67,716		1,248	(66,468)
41	General Administration	215,310		5,736	(209,574)
51	Plant Maintenance and Operations	142,909		2,949	(139,960)
81	Facilities Acquisition and Construction	35,000			(35,000)
93	Payments to Fiscal Agent/Member Districts	27,223			(27,223)
TP Total Primary Government	\$ <u>1,449,932</u>	\$ <u>4,350</u>	\$ <u>90,369</u>	\$ <u>(1,355,213)</u>	

Data  
Control  
Codes

General Revenues:

MT	Property Taxes, Levied for General Purposes	\$ 309,731
SF	State Aid Formula Grants	953,276
GC	Grants and Contributions not Restricted	2,494
IE	Investment Earnings	23,472
MI	Miscellaneous Local and Intermediate Revenue	6,811
TR	Total General Revenues, Special Items, and Transfers	\$ <u>1,295,784</u>
CN	Change in Net Assets	\$ (59,429)
NB	Net Assets - Beginning	<u>3,108,320</u>
NE	Net Assets - Ending	\$ <u>3,048,891</u>

The accompanying notes are an integral part of this statement.

VALENTINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2009

<u>Data Control Codes</u>		<u>10 General Fund</u>	<u>Other Funds</u>	<u>98 Total Governmental Funds</u>
	ASSETS AND OTHER DEBITS:			
1110	Cash and Temporary Investments	\$ 2,333,782	\$	\$ 2,333,782
1220	Property Taxes - Delinquent	136,265		136,265
1230	Allowance for Uncollectible Taxes (Credit)	(39,809)		(39,809)
1240	Due from Other Governments	85,545	20,871	106,416
1260	Due from Other Funds	<u>26,769</u>		<u>26,769</u>
1000	Total Assets	<u>\$ 2,542,552</u>	<u>\$ 20,871</u>	<u>\$ 2,563,423</u>
	LIABILITIES AND FUND BALANCES:			
	Liabilities:			
2110	Accounts Payable	\$ 25,328	\$	\$ 25,328
2160	Accrued Wages Payable	28,864	1,211	30,075
2170	Due to Other Funds		19,660	19,660
2300	Deferred Revenues	<u>96,456</u>		<u>96,456</u>
2000	Total Liabilities	<u>\$ 150,648</u>	<u>\$ 20,871</u>	<u>\$ 171,519</u>
	Fund Balances:			
3510	Designated for Construction	\$ 1,950,000	\$	\$ 1,950,000
3600	Unreserved and Undesignated	<u>441,904</u>		<u>441,904</u>
3000	Total Fund Balances	<u>\$ 2,391,904</u>	<u>\$ 0</u>	<u>\$ 2,391,904</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,542,552</u>	<u>\$ 20,871</u>	<u>\$ 2,563,423</u>

The accompanying notes are an integral part of this statement.

VALENTINE INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT  
OF NET ASSETS  
AUGUST 31, 2009

Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 2,391,904
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$1,764,971, and the accumulated depreciation was \$1,152,238.	612,733
The 2009 depreciation expense of \$52,202 increases accumulated depreciation.	(52,202)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue, \$96,456, as revenue, eliminating interfund transactions, and reclassifying various other items. The net effect of these reclassifications and recognitions is to increase net assets.	<u>96,456</u>
Net Assets - Governmental Activities (Exhibit A-1)	<u><u>\$ 3,048,891</u></u>

The accompanying notes are an integral part of this statement.

VALENTINE INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes		10 General Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
Revenues:				
5700	Local and Intermediate Sources	\$ 340,692	\$	\$ 340,692
5800	State Program Revenues	996,568	1,282	997,850
5900	Federal Program Revenues	<u>                    </u>	<u>48,289</u>	<u>48,289</u>
5020	Total Revenues	<u>\$ 1,337,260</u>	<u>\$ 49,571</u>	<u>\$ 1,386,831</u>
Expenditures:				
0011	Instruction	\$ 707,453	\$ 43,285	\$ 750,738
0012	Instructional Resources and Media Services	11,372		11,372
0013	Curriculum and Staff Development	8,198		8,198
0021	Instructional Leadership	79,030		79,030
0031	Guidance, Counseling, and Evaluation Services	17,911		17,911
0033	Health Services	474		474
0034	Student Transportation	50,562		50,562
0035	Food Services		7,309	7,309
0036	Extracurricular Activities	65,169		65,169
0041	General Administration	207,211		207,211
0051	Plant Maintenance and Operations	137,533		137,533
0081	Facilities Acquisition and Construction	35,000		35,000
0093	Payments to Fiscal Agent/Member Districts	<u>27,223</u>	<u>                    </u>	<u>27,223</u>
6030	Total Expenditures	<u>\$ 1,347,136</u>	<u>\$ 50,594</u>	<u>\$ 1,397,730</u>
1100	Deficiency of Revenues Under Expenditures	<u>\$ (9,876)</u>	<u>\$ (1,023)</u>	<u>\$ (10,899)</u>
Other Financing Sources (Uses):				
7915	Transfers In	\$	\$ 1,023	\$ 1,023
8911	Transfers Out	<u>(1,023)</u>	<u>                    </u>	<u>(1,023)</u>
7080	Total Other Financing Sources (Uses)	<u>\$ (1,023)</u>	<u>\$ 1,023</u>	<u>\$ 0</u>
1200	Net Change in Fund Balance	\$ (10,899)	\$ 0	\$ (10,899)
0100	September 1 - Fund Balance	<u>2,402,803</u>	<u>                    </u>	<u>2,402,803</u>
3000	August 31 - Fund Balance	<u>\$ 2,391,904</u>	<u>\$ 0</u>	<u>\$ 2,391,904</u>

The accompanying notes are an integral part of this statement.

VALENTINE INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2009

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-3) \$ (10,899)

Amounts reported for governmental activities in the statement of activities (Exhibit B-1) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation \$52,202 exceeded capital outlay \$0 in the current period. (52,202)

Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net amount by which deferred revenue changed between the current year \$96,456 and the prior year \$92,784. 3,672

Change in Net Assets of Governmental Activities (Exhibit B-1) \$ (59,429)

VALENTINE INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
AUGUST 31, 2009

	<u>Agency Fund</u>
ASSETS:	
Cash and Temporary Investments	\$ <u>19,893</u>
Total Assets	\$ <u>19,893</u>
LIABILITIES:	
Due to Student Groups	\$ 12,784
Due to Other Funds	<u>7,109</u>
Total Liabilities	\$ <u>19,893</u>
NET ASSETS:	
Restricted Net Assets	\$ _____
Total Net Assets	\$ <u><u>0</u></u>

The accompanying notes are an integral part of this statement.

VALENTINE INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED AUGUST 31, 2009

	<u>Private- Purpose Trust</u>
<b>ADDITIONS:</b>	
Contributions:	
Local and Intermediate Sources	\$ _____
Total Additions	\$ _____ 0
<b>DEDUCTIONS:</b>	
Miscellaneous Expenditures	\$ 1,811
Total Expenses	<u>\$ 1,811</u>
Change in Net Assets	\$ (1,811)
Net Assets - September 1 (Beginning)	<u>1,811</u>
Net Assets - August 31 (Ending)	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Valentine Independent School District's (District) basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

**A. REPORTING ENTITY**

The Board of School Trustees (Board), a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of Valentine Independent School District. The Board is elected by the public. The Board has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined in governmental accounting and financial reporting standards. There are no component units included within this reporting entity.

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

**B. BASIS OF ACCOUNTING AND PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by taxes, state foundation funds, grants, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (i.e., internal service funds are considered governmental activities and not business-type activities). The District currently has no business type activities.

In the government-wide financial statements (GWFS), long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or statement of net assets. Bond issue costs are deferred and amortized over the life of the bonds.

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

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

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the GWFS. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

**FUND FINANCIAL STATEMENTS**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Since the resources in the fiduciary fund cannot be used for District operation, they are not included in the GWFS. Major governmental funds are reported as separate columns in the fund financial statements.

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from local sources consist primarily of property taxes. No amounts have been recorded for property tax revenues collected after August 31, 2009. State revenues 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

The fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

**GOVERNMENTAL FUND TYPES**

The District reports the following major governmental funds:

**General Fund** – This fund is established to account for resources used for general operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund and undesignated fund balances are considered resources available for current operations.

Additionally, the government reports the following governmental fund types:

**Special Revenue Funds** – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specified project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds. The District's food service fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The general fund subsidizes the food service program for all expenditures in excess of NSLP, and (3) The District does not consider the food service program completely self-supporting. Food service fund balances, if any, are used exclusively for child nutrition program purposes.

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**FIDUCIARY FUND TYPES**

**Private Purpose Trust Fund** – The District accounts for donations for which the donor has stipulated may be used for purposes that benefit parties outside the District. The District's Private Purpose trust fund is a scholarship fund.

**Agency Funds** – These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of School Trustees. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

**C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS**

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and leased property, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the District to refund all or part of the unused amount.

Supplies and materials are debited as expenditures when purchased.

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR. Mandatory codes are utilized in the form provided in that section.

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**D. BUDGETARY DATA**

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund, debt service fund, and the food service special revenue fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, and they are reflected in the official minutes of the Board. During the year, several amendments were necessary and expenditures exceeded appropriations in a single function.

**E. ENCUMBRANCE ACCOUNTING**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2009.

**F. FUND EQUITY**

Unreserved, undesignated fund equity for governmental funds in the fund financial statements indicates available amounts for the budgeting of future operations. The unreserved designated fund equity for governmental funds indicates unreserved funds that have been earmarked by the Board resolution for specific purposes and are therefore not available for general expenditures to be appropriated in the following period unless amended by future Board action. Reserved fund balance is that portion of fund equity, which is not available for appropriation or which has been legally separated for specific purposes.

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**G. NET ASSETS ON THE STATEMENT OF NET ASSETS**

Net assets on the statement of net assets include the following:

Investment in Capital Assets, Net of Related Debt – this component of net assets represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, which is directly attributable to the acquisition, construction, or improvement of those assets.

Unrestricted – the difference between assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt.

**H. MANAGEMENT’S USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**2. DEPOSITS AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does not address the following risks:

- a. Custodial Credit Risk – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits are all covered by depository insurance and pledged securities held by a third party in the District's name.
- b. Concentration of Credit Risk – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2009, all of the Districts investments are in external investment pools, and as such the District has no risk.
- c. Credit Risk – The risk that an issuer of 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 August 31, 2009, the District was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

The carrying amount of the District's cash and temporary investments at August 31, 2009, approximates fair value and consisted of the following shown below:

Cash in Bank	\$ 205,148
Lone Star Investment Pool	<u>2,148,527</u>
Total Cash and Investments	<u>\$ 2,353,675</u>
Cash and Investments - Governmental Funds	\$ <u>2,333,782</u>
Cash and Investments - Statement of Net Assets	\$ 2,333,782
Cash and Investments - Fiduciary Funds	<u>19,893</u>
Total Cash and Investments	<u>\$ 2,353,675</u>

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment 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 investment 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 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.

**3. PROPERTY TAXES**

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

All delinquent taxes are recorded in the general fund. All property taxes remaining uncollected after 10 years are provided for in the allowance for uncollectible 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.

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**4. INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at August 31, 2009, consisted of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund		
Agency Funds	\$ 7,109	\$
Special Revenue Fund	<u>19,660</u>	<u>          </u>
	<u>\$ 26,769</u>	<u>\$ 0</u>
Special Revenue Funds		
General Fund	\$	\$ 19,660
	<u>\$ 0</u>	<u>\$ 19,660</u>
Agency Funds		
General Fund	\$	\$ 7,109
	<u>\$ 26,769</u>	<u>\$ 26,769</u>

**5. DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments consisted of \$106,416 due from the State for Federal Program reimbursements as well as State Aid earned at August 31, 2009.

**6. CAPITAL ASSETS**

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

	<u>9/1/2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>8/31/2009</u>
Capital Assets:				
Land	\$ 15,332	\$	\$	\$ 15,332
Building and Improvements	1,154,335			1,154,335
Furniture and Equipment	<u>595,304</u>	<u>          </u>	<u>          </u>	<u>595,304</u>
	<u>\$ 1,764,971</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,764,971</u>
Accumulated Depreciation:				
Buildings and Improvements	\$ 639,521	\$ 30,879	\$	\$ 670,400
Furniture and Equipment	<u>512,717</u>	<u>21,323</u>	<u>          </u>	<u>534,040</u>
	<u>\$ 1,152,238</u>	<u>\$ 52,202</u>	<u>\$ 0</u>	<u>\$ 1,204,440</u>
Total Net Value of Capital Assets	<u>\$ 612,733</u>	<u>\$ (52,202)</u>	<u>\$ 0</u>	<u>\$ 560,531</u>

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

Depreciation expense was charged to functions of the primary government as follows:

Instruction	\$ 29,345
Instruction Resources and Media Services	445
Curriculum and Instructional Staff Development	320
Instructional Leadership	3,089
Guidance, Counseling, and Evaluation Services	700
Health Services	19
Student Transportation	1,976
Food Services	286
Cocurricular / Extracurricular Activities	2,547
General Administration	8,099
Plant Maintenance and Operations	<u>5,376</u>
	<u>\$ 52,202</u>

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

Buildings and Improvements	15 - 30 years
Furniture and Equipment	5 - 20 years

**7. DEFERRED REVENUES**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Deferred revenues consisted of the following at August 31, 2009:

	General Fund
Property Taxes - Delinquent	\$ 136,265
Less: Allowance for Uncollectible Taxes	<u>(39,809)</u>
Total Deferred Revenues	<u>\$ 96,456</u>

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**8. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<u>General Fund</u>	<u>Total</u>
Property Taxes, Penalties, Interest, and Other Tax-Related Income	\$ 306,059	\$ 306,059
Interest Income	23,472	23,472
Rent	4,350	4,350
Other	<u>6,811</u>	<u>6,811</u>
	<u>\$ 340,692</u>	<u>\$ 340,692</u>

**9. DEFINED BENEFIT PENSION PLAN**

Plan Description – All employees of Valentine Independent School District employed for one-half or more of the standard workload and who are not exempt from membership under Texas Government Code, participate in the Teacher Retirement System of Texas (TRS), a cost sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of the Texas Constitution and Texas Government Code. TRS also administers proportional retirement benefits and service credit transfers under Texas Government Code. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling TRS at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publication heading.

Funding Policy – State law provides for fiscal years 2007, 2008, and 2009, a state contribution rate of 6.58% and a member contribution rate of 6.4%. In certain instances, the District is required to make all or a portion of the State's 6.58% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to state funding policy. State contributions TRS made on behalf of the District's employees for the years ended August 31, 2009, was \$39,735. The amounts contributed by the State are reflected in the financial statements in the general fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24. The District paid additional state contributions for the years ended August 31, 2009, in the amount of \$4,665, on the portion of the employee's salaries that exceeded the statutory minimum and those salaries funded from federal grants, equal to the required contributions for each year. Additionally, payments made on behalf of the District by the State for Medicare Part D fringe benefits and salaries amounted to \$1,694 for the year ended August 31, 2009.

The payroll for employees covered by the TRS for the year ended August 31, 2009, was \$662,249. The District's total payroll was \$733,594.

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**10. HEALTH CARE COVERAGE**

During the year ended August 31, 2009, the District participated in the TRS – Active Care Program administered by the Teacher Retirement System. The District contributed \$250 of the employee-only premium per month, and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under this plan, the District is not liable for costs incurred beyond the premiums paid.

**11. LITIGATION**

There is no litigation pending against the District which would have a material effect on the financial statements.

**12. COMMITMENTS AND CONTINGENCIES**

Federal and State Funding

The District participates in numerous state and federal 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 collectability 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 combined financial statements for such contingencies.

**13. SUBSEQUENT EVENTS**

The District's management has evaluated subsequent events through December 17, 2009, the date which the financial statements were available for issue.

**REQUIRED SUPPLEMENTARY INFORMATION**

VALENTINE INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended			
Revenues:					
5700	Local and Intermediate Sources	\$ 427,489	\$ 492,989	\$ 340,692	\$ (152,297)
5800	State Program Revenues	904,458	1,093,908	996,568	(97,340)
5020	Total Revenues	\$ 1,331,947	\$ 1,586,897	\$ 1,337,260	\$ (249,637)
Expenditures:					
0011	Instruction	\$ 694,495	\$ 752,055	\$ 707,453	\$ 44,602
0012	Instructional Resources and Media Services	10,100	12,625	11,372	1,253
0013	Curriculum and Instructional Staff Development	3,000	8,200	8,198	2
0023	School Leadership	79,705	82,340	79,030	3,310
0031	Guidance, Counseling, and Evaluation Services	18,380	18,300	17,911	389
0033	Health Services	500	500	474	26
0034	Student Transportation	67,170	53,645	50,562	3,083
0036	Extracurricular Activities	69,320	70,430	65,169	5,261
0041	General Administration	200,900	210,137	207,211	2,926
0051	Plant Maintenance and Operations	122,250	137,538	137,533	5
0081	Facilities Acquisition and Construction	35,000	35,000	35,000	0
0093	Payments to Fiscal Agent/Member Districts	29,000	29,000	27,223	1,777
6030	Total Expenditures	\$ 1,329,820	\$ 1,409,770	\$ 1,347,136	\$ 62,634
1100	Excess of Revenues over Expenditures	\$ 2,127	\$ 177,127	\$ (9,876)	\$ (187,003)
Other Financing Sources (Uses):					
7912	Sale of Real and Personal Property	\$	\$	\$	\$ 0
8911	Transfers Out	0	0	(1,023)	(1,023)
7080	Total Other Financing Uses	\$ 0	\$ 0	\$ (1,023)	\$ (1,023)
1200	Net Change in Fund Balance	\$ 2,127	\$ 177,127	\$ (10,899)	\$ (188,026)
0100	September 1 - Fund Balance	2,402,803	2,402,803	2,402,803	0
3000	August 31 - Fund Balance	\$ 2,404,930	\$ 2,579,930	\$ 2,391,904	\$ (188,026)

**OTHER SUPPLEMENTARY INFORMATION**

**EXHIBITS H-1 THROUGH J-4**

VALENTINE INDEPENDENT SCHOOL DISTRICT

Exhibit H-1

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2009

Data Control Codes	Special Revenue Funds			Total Nonmajor Governmental August 31, 2009	
	211 ESEA I, A Improving Basic Program	255 ESEA II, A Training and Recruiting	283 IDEA, Pt. B ARRA Formula		
ASSETS:					
1240	Due from Other Governments	\$ 712	\$ 499	\$ 19,660	\$ 20,871
1260	Due from Other Funds				0
1000	Total Assets	<u>\$ 712</u>	<u>\$ 499</u>	<u>\$ 19,660</u>	<u>\$ 20,871</u>
LIABILITIES:					
2160	Accrued Wages Payable	\$ 712	\$ 499	\$ 19,660	\$ 1,211
2170	Due to Other Funds			19,660	19,660
2000	Total Liabilities	<u>\$ 712</u>	<u>\$ 499</u>	<u>\$ 19,660</u>	<u>\$ 20,871</u>
FUND EQUITY:					
3600	Unreserved and Undesignated	\$	\$	\$	\$ 0
3000	Total Fund Equity	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
4000	Total Liabilities and Fund Equity	<u>\$ 712</u>	<u>\$ 499</u>	<u>\$ 19,660</u>	<u>\$ 20,871</u>

VALENTINE INDEPENDENT SCHOOL DISTRICT

Exhibit H-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2009

Data Control Codes	Special Revenue Funds					Total Nonmajor Governmental Funds	
	211 ESEA I, A Improving Basic Program	240 National School Breakfast and Lunch Program	255 ESEA Title II, Training and Recruitment	283 IDEA, Pt. B ARRA Formula	411 Technology Allotment		
REVENUES:							
5700	Local and Intermediate Sources	\$	\$	\$	\$	\$ 0	
5800	State Program Revenues				1,282	1,282	
5900	Federal Program Revenues	8,883	6,286	13,460	19,660	48,289	
5020	Total Revenues	\$ 8,883	\$ 6,286	\$ 13,460	\$ 19,660	\$ 1,282	\$ 49,571
EXPENDITURES:							
0011	Instruction	\$ 8,883	\$	\$ 13,460	\$ 19,660	\$ 1,282	\$ 43,285
0035	Food Services		7,309				7,309
6030	Total Expenditures	\$ 8,883	\$ 7,309	\$ 13,460	\$ 19,660	\$ 1,282	\$ 50,594
1100	Excess of Revenues Over Expenditures	\$ 0	\$ (1,023)	\$ 0	\$ 0	\$ 0	\$ (1,023)
Other Financing Sources:							
7915	Transfers In	\$ 0	\$ 1,023	\$ 0	\$ 0	\$ 0	\$ 1,023
1200	Net Change in Fund Balance	\$	\$	\$	\$	\$	\$ 0
0100	Fund Balance - September 1 (Beginning)						0
3000	Fund Balance - August 31 (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2009**

**Exhibit J-1**

Last Ten Years Ended August 31	1		2	3	10	20	30	40	50
	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 9/1/2008	Current Year's Total Levy	Maintenance Total Collections	Entire Year's Adjustments	Ending Balance 8/31/2009	
	Maintenance	Debt Service							
2000 and Prior Years	Various	Various	25,771,456	\$ 49,637	\$	\$ 114	\$	\$ 49,523	
2001	1.11000	0.00000	26,593,063	5,729		206		5,523	
2002	1.15000	0.00000	27,920,990	6,334		18		6,316	
2003	1.20000	0.00000	28,854,250	6,594		19		6,575	
2004	1.25000	0.00000	27,720,813	8,011		484		7,527	
2005	1.31000	0.00000	27,428,855	8,800		749		8,051	
2006	1.31000	0.00000	30,335,496	12,606		1,109		11,497	
2007	1.19360	0.00000	33,267,130	15,583		2,248		13,335	
2008	0.91000	0.00000	32,875,739	15,230		3,158		12,072	
2009 (School Year Under Audit)	0.91000	0.00000	35,197,720	<u>          </u>	<u>320,299</u>	<u>300,323</u>	<u>(4,130)</u>	<u>15,846</u>	
1000	TOTALS			<u>\$ 128,524</u>	<u>\$ 320,299</u>	<u>\$ 308,428</u>	<u>\$ (4,130)</u>	<u>\$ 136,265</u>	

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

Exhibit J-2

Function 41 and Related Function 53 - General Administration

Account Number	1 702 School Board	2 703 Tax Collection	3 701 Supt.'s Office	4 750 Indirect Cost	5 720 Direct Cost	6 Other Miscellaneous	7 Total
611X - 6146	\$	\$	\$	\$	\$	\$	\$
6149							
6211							
6212							
6213							
621X							
6220							
6230							
6240							
6250							
6260							
6290							
6320							
6330							
63XX							
6410							
6420							
6430							
6490							
6500							
6600							
6000							
Total	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

The District does not intend to charge indirect costs to its federal programs for the 2010-2011 school year.

Total expenditures/expenses for the General and Special Revenue Funds (Exhibit C-2)

\$

Less: Deduction of Unallowable Costs

	<u>FISCAL YEAR</u>		
Capital Outlay (6600) (Only Funds 100-199/200-499)	(10)	\$	<u>          </u>
Total Debt & Lease (6500) (Only Funds 100-199/200-499)	(11)	\$	<u>          </u>
Plant Maintenance (Function 51, 6100-6400)	(12)	\$	<u>          </u>
Food (Function 35, 6341 and 6499)	(13)	\$	<u>          </u>
Stipends (6413)	(14)	\$	<u>          </u>
Column 4 (above) - Total Indirect Cost		\$	<u>          </u>
Subtotal			\$ <u>          0</u>
Net Allowed Direct Costs			\$ <u>          0</u>

	<u>CUMULATIVE</u>		
Total Cost of Building before Depreciation (1520)	(15)	\$	<u>          </u>
Historical Cost of Building over 50 years old	(16)	\$	<u>          </u>
Amount of Federal Money in Building Cost (Net of Above)	(17)	\$	<u>          </u>
Total Cost of Furniture & Equipment before Depreciation (1520 & 1540)	(18)	\$	<u>          </u>
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$	<u>          </u>
Amount of Federal Money in Furniture & Equipment (Net of Above)	(20)	\$	<u>          </u>

VALENTINE INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
UNAUDITED  
GENERAL FUND AS OF AUGUST 31, 2009

<u>Data Control Codes</u>	<u>Explanation</u>	<u>Amount</u>
1	Total General Fund Balance 8/31/2009 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>2,391,904</u>
2	Total Reserved Fund Balance (Exhibit C-1 total of object 3400s for the General Fund only)	\$ _____
3	Total Designated Fund Balance (Exhibit C-1 total of object 3500s for the General Fund only)	\$ <u>1,950,000</u>
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues)	\$ _____
5	Estimate of one month's average cash disbursements during the regular school session (9/1/2009 - 5/31/2010)	\$ <u>130,000</u>
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	Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9)	\$ <u>2,080,000</u>
11	Excess Unreserved, Undesignated General Fund Balance (1-10)	\$ <u>311,904</u>

Explanation of Net Undesignated, Unreserved General Fund Balance:

The District currently intends to maintain at least three months worth of operating expenditures in reserve.

VALENTINE INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

BUDGETARY COMPARISON SCHEDULE  
CHILD NUTRITION FUND  
YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended			
Revenues:					
5700	Local and Intermediate Sources	\$	\$	\$	\$
5800	State Program Revenues				
5900	Federal Program Revenues	<u>6,500</u>	<u>6,500</u>	<u>6,286</u>	<u>(214)</u>
	Total Revenues	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ 6,286</u>	<u>\$ (214)</u>
Expenditures:					
0035	Food Services	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ 7,309</u>	<u>\$ (809)</u>
6030	Total Expenditures	<u>\$ 6,500</u>	<u>\$ 6,500</u>	<u>\$ 7,309</u>	<u>\$ (809)</u>
1100	Excess of Revenues Over Expenditures	\$	\$	\$ (1,023)	\$ (1,023)
Other Financing Sources:					
7915	Transfers In	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,023</u>	<u>\$ 1,023</u>
1200	Net Change in Fund Balance	\$	\$	\$	\$
0100	September 1 - Fund Balance	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
3000	August 31 - Fund Balance	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

**OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

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

Board of School Trustees  
Valentine Independent School District  
Valentine, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valentine Independent School District as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Valentine Independent School District's internal control over financial reporting (Internal Control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of Internal Control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's Internal Control. We consider item 2009-01 described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the Internal Control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Internal Control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2009-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valentine Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Valentine Independent School District's management response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This communication is intended for the information of the Board of School Trustees, Management, 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.

*Balinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

December 17, 2009

**VALENTINE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATE FINDINGS AND RESPONSES  
YEAR ENDED AUGUST 31, 2009**

**Current Year Findings and Recommendations –**

2009-01: The District failed to calculate and record its year end payroll accrual.

Recommendation: Implement procedures to ensure the year end payroll accruals are calculated and recorded on an annual basis.

**Managements Response –**

The District acknowledges this error was made, but understands the problem and intends to utilize its consultant to assist at year end in calculating and recording this accrual.

Estimated Completion Date: For the year ended August 31, 2010

District Contact: Mr. Doug Cook, Superintendent

**Status of Prior Year Findings –**

All prior year findings were corrected in the current year.

**VALENTINE INDEPENDENT SCHOOL DISTRICT**

**Exhibit L-1**

**SCHOOLS FIRST QUESTIONNAIRE  
FOR THE YEAR ENDED AUGUST 31, 2009**

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?	Yes
SF9	Were there any disclosures in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$0

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

December 17, 2009

Board of School Trustees  
Valentine Independent School District  
Valentine, Texas

We have audited the financial statements of Valentine Independent School District for the year ended August 31, 2009, and have issued our report thereon dated December 17, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 17, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by Management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the Internal Control of Valentine Independent School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such Internal Control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. Our audit of the financial statements does not relieve you or management of your responsibilities.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the District's financial statements and report does not extend beyond the financial information identified in the report, in addition we do not have an obligation to perform any procedures to corroborate other information contained in these documents.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and meetings about planning matters.

Significant Audit Findings

*Qualitative Aspects of Accounting*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise Management about the appropriateness of accounting policies and their application. The significant accounting policies

used by Valentine Independent School District are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by Management and are based on Management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were) depreciation and accrued state revenue:

Management's estimate of the depreciation is based on industry accepted guidelines, and the estimate of state revenue is based on the number school days for 2009-2010 that are in the 2008-2009 fiscal year. We evaluated the key factors and assumptions used to develop the accumulated depreciation, depreciation expense and state revenue accruals in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We detected material misstatements that, in our judgment, could have a significant effect, either individually or in the aggregate, on the entity's financial reporting process. A material adjustment was made to correct the accrued payroll as of August 31, 2009.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with Management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 17, 2009.

Management Consultations with Other Independent Accountants

In some cases, Management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of School Trustees and management of Valentine Independent School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Balinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants