

**LANEVILLE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2010

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

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Introductory Section

CERTIFICATE OF BOARD

Laneville Independent School District
Name of School District

Rusk
County

201-903
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 ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

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Financial Section

HALLS, JOHNSON, MCLEMORE, REDFIELD & RODRIGUES, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report

Board of Trustees
Laneville Independent School District
P.O. Box 127
Laneville, Texas 75667

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Laneville Independent School District (the "District") as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's 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, the business-type activities, each major fund, and the aggregate remaining fund information of Laneville Independent School District as of August 31, 2010, and the respective changes in financial position, and 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 November 30, 2010, on our consideration of the 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 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 District's financial statements as a whole. The introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements 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 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,

Halls, Johnson, McLeMara, Redfield & Rodriguez, LLP

Nacogdoches, Texas
November 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Laneville Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2010. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

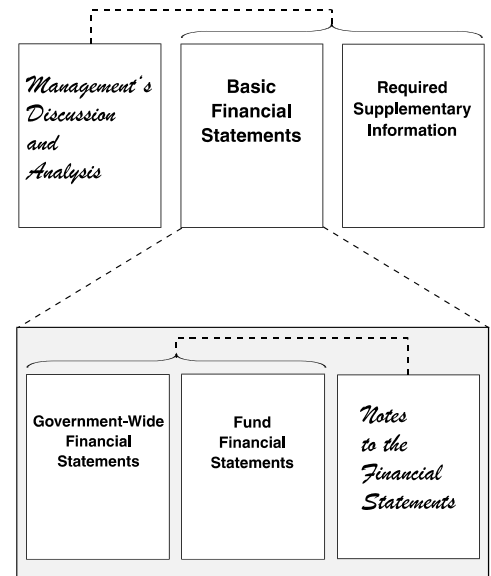
- The District's total combined net assets were \$1,701,746 at August 31, 2010.
- For the fiscal year ended August 31, 2010, the District's total expenses were \$124,146 less than the \$2,347,924 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$203,907 at August 31, 2010, an increase of \$89,485 from the prior year.
- The District's property tax revenue was \$908,967 in fiscal 2010, compared to \$1,020,735 in fiscal 2009, a decrease of \$111,768 (11%).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base, or changes in student enrollment numbers.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Enterprise funds* - We use *enterprise funds* to report activities of the Store Fund, which accounts for concession activities.
- *Internal service funds* - We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities.
- *Fiduciary funds* - The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary

net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. The District's fiduciary funds consist only of money held on behalf of student organizations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As year to year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

The following table provides a comparative summary of the District's net assets from its governmental activities:

| Summary of Net Assets | | | | |
|---------------------------------|---------------------|---------------------|---------------------|--------------|
| | 8/31/2010 | 8/31/2009 | Amount of Change | % Change |
| <u>Governmental Activities:</u> | | | | |
| Current and other assets | \$ 560,475 | \$ 495,748 | \$ 64,727 | 13.06% |
| Capital assets | 1,458,196 | 1,385,029 | 73,167 | 5.28% |
| Total assets | <u>2,018,671</u> | <u>1,880,777</u> | <u>137,894</u> | <u>7.33%</u> |
| Current liabilities | 248,303 | 296,245 | (47,942) | -16.18% |
| Long term liabilities | 68,485 | 6,795 | 61,690 | 907.87% |
| Total liabilities | <u>316,788</u> | <u>303,040</u> | <u>13,748</u> | <u>4.54%</u> |
| Net assets: | | | | |
| Invested in capital assets | 1,389,711 | 1,378,234 | 11,477 | 0.83% |
| Unrestricted | 312,172 | 199,503 | 112,669 | 56.47% |
| Total net assets | <u>\$ 1,701,883</u> | <u>\$ 1,577,737</u> | <u>\$ 124,146</u> | <u>7.87%</u> |

Net assets of the District's governmental activities increased 7.87% to \$1,701,883 during the year ending August 31, 2010. However some of these net assets are either restricted as to the purposes they can be used for, or are invested in capital assets (buildings, vehicles, equipment, and so on). Consequently, unrestricted net assets, which increased by \$112,669, totaled \$312,172 at year-end.

Governmental Activities

- The cost of all *governmental* activities this year was \$2,223,778.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$945,508.
- Some of the cost was paid by those who directly benefited from the programs (\$24,622), or by grants and contributions (\$620,752).
- Property tax values were sharply reduced compared to the prior year. Property tax revenues decreased despite an increase in the tax rate from \$1.04 to \$1.17.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's operational activities and changes in net assets:

Summary of Activities & Changes in Net Assets

Governmental Activities

| | 8/31/2010 | 8/31/2009 | Amount Of Change | % Change |
|---|---------------------|---------------------|---------------------|-----------------|
| Program revenues: | | | | |
| Charges for services | \$ 24,622 | \$ 31,305 | \$ (6,683) | -21.35% |
| Operating grants/contributions | 564,116 | 480,871 | 83,245 | 17.31% |
| Capital grants/contributions | 56,636 | - | 56,636 | |
| General revenues: | | | | |
| Property taxes | 945,508 | 1,035,284 | (89,776) | -8.67% |
| Investment earnings | 1,277 | 8,192 | (6,915) | -84.41% |
| Foundation and unrestricted grants | 716,191 | 483,147 | 233,044 | 48.23% |
| Other general revenues | 39,574 | 63,259 | (23,685) | -37.44% |
| Total revenues/contributions | <u>2,347,924</u> | <u>2,102,058</u> | <u>245,866</u> | <u>11.70%</u> |
| <u>Function</u> | | | | |
| Expenses: | | | | |
| 11 Instruction | 1,237,241 | 1,277,534 | (40,293) | -3.15% |
| 12 Instructional Resources and Media Services | 8,425 | 11,967 | (3,542) | -29.60% |
| 13 Curriculum and Staff Development | 1,954 | 14,121 | (12,167) | -86.16% |
| 21 Instructional Leadership | 21,965 | 12,395 | 9,570 | 77.21% |
| 23 School Leadership | 90,852 | 95,473 | (4,621) | -4.84% |
| 31 Guidance, Counseling, & Evaluation Services | 35,476 | 55,690 | (20,214) | -36.30% |
| 33 Health Services | 4,623 | 4,419 | 204 | 4.62% |
| 34 Student Transportation | 91,382 | 59,562 | 31,820 | 53.42% |
| 35 Food Service | 111,727 | 115,469 | (3,742) | -3.24% |
| 36 Cocurricular/Extracurricular Activities | 85,910 | 83,847 | 2,063 | 2.46% |
| 41 General Administration | 185,009 | 230,651 | (45,642) | -19.79% |
| 51 Plant Maintenance and Operations | 252,462 | 246,735 | 5,727 | 2.32% |
| 52 Security and Monitoring Services | 561 | 969 | (408) | -42.11% |
| 53 Data Processing Services | 42,266 | 3,000 | 39,266 | 1308.87% |
| 61 Community Services | 10,724 | 11,373 | (649) | -5.71% |
| 72 Interest on Long-term Debt | 4,353 | 803 | 3,550 | 442.09% |
| 93 Payments Related to Shared Services Arrangements | 28,926 | 23,710 | 5,216 | 22.00% |
| 99 Other Intergovernmental Charges | 9,922 | 9,792 | 130 | 1.33% |
| Total expenses | <u>2,223,778</u> | <u>2,257,510</u> | <u>(33,732)</u> | <u>-1.49%</u> |
| Revenues over (under) expenses | 124,146 | (155,452) | 279,598 | -179.86% |
| Less transfer to Scholarship Fund | - | (5,600) | 5,600 | NA |
| Change in net assets | <u>124,146</u> | <u>(161,052)</u> | <u>285,198</u> | <u>-177.08%</u> |
| Prior period adjustment | - | 36,313 | | |
| Beginning net assets | 1,577,737 | 1,702,476 | (124,739) | -7.33% |
| Ending net assets | <u>\$ 1,701,883</u> | <u>\$ 1,577,737</u> | <u>124,146</u> | <u>7.87%</u> |

FINANCIAL ANALYSIS OF THE DISTRICT'S INDIVIDUAL GOVERNMENTAL FUNDS

Comparative data for the District's revenues and expenditures of the General Fund are presented in the following table:

| | General Fund | | |
|--|---------------------|---------------------|--------------------|
| | <u>8/31/2010</u> | <u>8/31/2009</u> | <u>Change</u> |
| <i><u>Revenues:</u></i> | | | |
| Property taxes, including penalties | \$ 932,315 | \$ 1,044,808 | \$ (112,493) |
| Investment earnings | 1,277 | 8,192 | (6,915) |
| Athletic activities | 5,188 | 6,035 | (847) |
| Foundation & available state funds | 706,351 | 483,147 | 223,204 |
| On-behalf retirement paid by state | 56,466 | 66,323 | (9,857) |
| Other state income | 500 | 22,893 | (22,393) |
| Disaster recovery | - | 29,508 | (29,508) |
| Other revenue | 49,414 | 33,751 | 15,663 |
| Total Revenues | <u>\$ 1,751,511</u> | <u>\$ 1,694,657</u> | <u>\$ 56,854</u> |
| <i><u>Expenditures:</u></i> | | | |
| 11 Instruction | \$ 891,089 | \$ 1,015,261 | \$ (124,172) |
| 12 Instructional Resources | 1,064 | 2,760 | (1,696) |
| 13 Curriculum and Staff Development | 669 | 906 | (237) |
| 21 Instructional Leadership | 2,273 | - | 2,273 |
| 23 School Leadership | 90,852 | 88,348 | 2,504 |
| 31 Guidance, Counseling, & Evaluation | 35,476 | 52,690 | (17,214) |
| 33 Health Services | 4,623 | 4,419 | 204 |
| 34 Student Transportation | 83,888 | 49,997 | 33,891 |
| 36 Cocurricular/Extracurricular Activities | 139,194 | 64,827 | 74,367 |
| 41 General Administration | 178,364 | 222,881 | (44,517) |
| 51 Plant Maintenance and Operations | 252,462 | 246,735 | 5,727 |
| 52 Security and Monitoring Services | 561 | 969 | (408) |
| 71 Principal on Long-term Debt | 18,648 | 6,347 | 12,301 |
| 72 Interest on Long-term Debt | 4,353 | 803 | 3,550 |
| 93 Payments to Shared Arrangements | 28,926 | 23,710 | 5,216 |
| 99 Other Intergovernmental Charges | 9,922 | 9,792 | 130 |
| Total Expenditures | <u>\$ 1,742,364</u> | <u>\$ 1,790,445</u> | <u>\$ (48,081)</u> |

Explanation of variances and other comments:

- Property tax revenue decreased due to a decrease in appraised property values.
- Foundation and available state revenues increased in 2010. This decrease resulted from an increase in student enrollment and increase in tax rate.
- Function 11 – Decrease in personnel salaries and contracted services
- Function 31 - Change of duties for personnel
- Function 34 – Additional bus routes and bus drivers added, increased costs for fuel and repairs
- Function 36 – Purchased bus for athletic travel
- Function 41 – No board travel or election costs expenditures and appraisal district costs moved to Function 99

Comparative data for the revenues and expenditures for the Cafeteria Fund are presented in the following table:

| National School Breakfast/Lunch Program (Cafeteria Fund) | | | |
|---|-------------------|-------------------|------------------|
| | <u>8/31/2010</u> | <u>8/31/2009</u> | <u>Change</u> |
| <i><u>Revenues:</u></i> | | | |
| Charges for meals | \$ 19,434 | \$ 25,270 | \$ (5,836) |
| State aid | 3,696 | 7,105 | (3,409) |
| Federal breakfast program | 36,112 | 27,896 | 8,216 |
| Federal lunch program | 67,282 | 49,236 | 18,046 |
| Value of USDA commodities | 5,381 | 8,799 | (3,418) |
| ARRA capital grant | 56,636 | - | 56,636 |
| Total Revenues | <u>\$ 188,541</u> | <u>\$ 118,306</u> | <u>\$ 70,235</u> |
| <i><u>Expenditures:</u></i> | | | |
| Payroll costs | \$ 56,804 | \$ 60,554 | \$ (3,750) |
| Cost of food | 41,990 | 39,853 | 2,137 |
| Value of USDA commodities | 5,381 | 8,799 | (3,418) |
| Cost of supplies | 4,432 | 3,790 | 642 |
| Capital outlays | 61,206 | - | 61,206 |
| Other costs | 1,547 | 721 | 826 |
| Total Expenditures | <u>\$ 171,360</u> | <u>\$ 113,717</u> | <u>\$ 57,643</u> |

Explanation of variances:

- Revenue increased due to student enrollment increase and ARRA grant
- Expenditures increased due to ARRA grant expenditures

Comparative data for the revenues and expenditures for “Non-Major” Funds are presented in the following table:

Other Governmental Funds (Accumulated)

| | 8/31/2010 | 8/31/2009 | Change |
|---------------------------------------|-------------------|-------------------|-------------------|
| <i><u>Revenues:</u></i> | | | |
| Headstart | \$ 33,825 | \$ 34,007 | \$ (182) |
| Title I, Basic | 122,372 | 119,380 | 2,992 |
| Title II, Training | 23,954 | 26,534 | (2,580) |
| ARRA Stimulus Grants | 140,770 | 4,974 | 135,796 |
| Reading/Math Initiative | - | 30,275 | (30,275) |
| Governor's Excellence Award | 12,246 | 58,107 | (45,861) |
| Technology Allotment | 3,215 | 4,014 | (799) |
| Kindergarten & Prekindergarten | 6,377 | - | 6,377 |
| Texas Educator Excellence Award | 40,000 | - | 40,000 |
| ESC Region VII Technology | 7,794 | 4,519 | 3,275 |
| State High School Allotment | - | 7,949 | (7,949) |
| Other revenue | 4,125 | 8,859 | (4,734) |
| Total Revenues | <u>\$ 394,678</u> | <u>\$ 298,618</u> | <u>\$ 96,060</u> |
| <i><u>Expenditures:</u></i> | | | |
| 11 Instruction | \$ 312,687 | \$ 231,662 | \$ 81,025 |
| 12 Instructional Resources | 7,361 | 9,207 | (1,846) |
| 13 Curriculum and Staff Development | 1,285 | 13,215 | (11,930) |
| 21 Instructional Leadership | 19,692 | 12,395 | 7,297 |
| 23 School Leadership | - | 7,125 | (7,125) |
| 31 Guidance, Counseling, & Evaluation | - | 3,000 | (3,000) |
| 34 Student Transportation | - | 916 | (916) |
| 41 General Administration | - | 1,125 | (1,125) |
| 53 Data Processing Services | 42,266 | 3,000 | 39,266 |
| 61 Community Services | 10,724 | 11,373 | (649) |
| Total Expenditures | <u>\$ 394,015</u> | <u>\$ 293,018</u> | <u>\$ 100,997</u> |

Comparative data for the District's fund balances of its Governmental Funds are presented in the following table to assist analysis:

Summary of the District's Fund Balances

| | Governmental Funds | | Amount of Change |
|----------------------|--------------------|-------------------|---------------------|
| | 8/31/2010 | 8/31/2009 | |
| General Fund | \$ 203,907 | \$ 114,422 | \$ 89,485 |
| Food Service Fund | 23,851 | 6,670 | 17,181 |
| Technology Allotment | 663 | - | 663 |
| Total - Governmental | <u>\$ 228,421</u> | <u>\$ 121,092</u> | <u>\$ 107,329</u> |

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$64,447 over final budget amounts. Expenditures of co-curricular activities and debt services significantly exceeded the budget.

Resources available were \$73,594 above the final budgeted amount. State revenues were less than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2010, the District had invested \$3.4 million in a broad range of capital assets, including land, buildings, equipment, and vehicles. During the year ended August 31, 2010, the District purchased a bus and cafeteria equipment.

Summary of the District's Capital Assets

| | Governmental Activities | | Amount | |
|-------------------------------|-------------------------|--------------------|-----------------|--------------|
| | 8/31/2010 | 8/31/2009 | of Change | % Change |
| Land | \$ 56,218 | \$ 56,218 | \$ - | 0.00% |
| Buildings and improvements | 2,773,684 | 2,773,684 | - | 0.00% |
| Equipment | 209,507 | 148,301 | 61,206 | 41.27% |
| Vehicles | 380,965 | 300,627 | 80,338 | 26.72% |
| Subtotal | <u>3,420,374</u> | <u>3,278,830</u> | <u>141,544</u> | <u>4.32%</u> |
| Less accumulated depreciation | <u>(1,962,178)</u> | <u>(1,893,801)</u> | <u>(68,377)</u> | <u>3.61%</u> |
| Net capital assets | <u>1,458,196</u> | <u>1,385,029</u> | <u>73,167</u> | <u>5.28%</u> |

Long Term Debt

At year-end the District had \$68,485 in notes payable outstanding. There have been no plans made to obtain additional long-term borrowing. Debt transactions are summarized as follows:

Summary of the District's Debt

| | <u>8/31/2010</u> | <u>8/31/2009</u> |
|--------------------------------------|------------------|------------------|
| Balance of debt, beginning of yr | \$ 6,795 | \$ 13,142 |
| New debts | 80,338 | - |
| Principal payments on loans & leases | <u>(18,648)</u> | <u>(6,347)</u> |
| Balance of debt, end of year | <u>\$ 68,485</u> | <u>\$ 6,795</u> |

Payments for interest totaled \$4,353 for fiscal 2010 and \$803 for fiscal 2009. More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2011 budget preparation is projected to be \$81 million, which is an increase from the appraised values of 78 million for the 2010 values. These value increases are mostly due to changes in valuations of real estate and mineral interests.

The District's 2011 enrollment is expected to be about 175 students, which is about the same as 2010, which had an enrollment of 180 students.

These indicators were taken into account when adopting the general fund budget for 2011. Amounts available for appropriation in the general fund budget are \$1.69 million, a significant increase from the original 2010 budget of \$1.48 million.

Expenditures are budgeted at \$1.69 million, a significant increase from the original 2010 budget of \$1.48 million.

If these estimates are realized, the District's budgetary general fund balance is expected to remain the same by the close of fiscal 2011.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate 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 Services Department.

Basic Financial Statements

LANEVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AUGUST 31, 2010

| Data Control Codes | 1 | 2 | 3 | |
|--------------------------|---|-----------------------------|-----------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS: | | | | |
| 1110 | Cash and Cash Equivalents | \$ 63,508 | \$ 13 | \$ 63,521 |
| 1120 | Current Investments | 2,220 | -- | 2,220 |
| 1225 | Property Taxes Receivable (Net) | 81,640 | -- | 81,640 |
| 1240 | Due from Other Governments | 409,057 | -- | 409,057 |
| 1290 | Other Receivables (Net) | 4,050 | -- | 4,050 |
| Capital Assets: | | | | |
| 1510 | Land | 56,218 | -- | 56,218 |
| 1520 | Buildings and Improvements, Net | 1,230,948 | -- | 1,230,948 |
| 1530 | Furniture and Equipment, Net | 171,030 | -- | 171,030 |
| 1000 | Total Assets | <u>2,018,671</u> | <u>13</u> | <u>2,018,684</u> |
| LIABILITIES: | | | | |
| 2110 | Accounts Payable | 141,241 | 150 | 141,391 |
| 2165 | Accrued Liabilities | 69,739 | -- | 69,739 |
| 2177 | Due to Fiduciary | 1,589 | -- | 1,589 |
| 2180 | Due to Other Governments | 16,047 | -- | 16,047 |
| 2300 | Unearned Revenue | 19,687 | -- | 19,687 |
| Noncurrent Liabilities: | | | | |
| 2501 | Due Within One Year | 12,376 | -- | 12,376 |
| 2502 | Due in More Than One Year | 56,109 | -- | 56,109 |
| 2000 | Total Liabilities | <u>316,788</u> | <u>150</u> | <u>316,938</u> |
| NET ASSETS | | | | |
| 3200 | Invested in Capital Assets, Net of Related Debt | 1,389,711 | -- | 1,389,711 |
| 3900 | Unrestricted | 312,172 | (137) | 312,035 |
| 3000 | Total Net Assets | <u>\$ 1,701,883</u> | <u>\$ (137)</u> | <u>\$ 1,701,746</u> |

The accompanying notes are an integral part of this statement.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2010

| Data Control Codes | Functions/Programs | 1 | 3 | 4 | 5 |
|--------------------------|--|---------------------|-------------------------|--|--|
| | | Expenses | Charges for Services | Program Revenues | |
| | | | | Operating Grants and Contributions | Capital Grants and Contributions |
| | Governmental Activities: | | | | |
| 11 | Instruction | \$ 1,237,241 | \$ -- | \$ 420,478 | \$ -- |
| 12 | Instructional Resources and Media Services | 8,425 | -- | -- | -- |
| 13 | Curriculum and Staff Development | 1,954 | -- | -- | -- |
| 21 | Instructional Leadership | 21,965 | -- | 1,147 | -- |
| 23 | School Leadership | 90,852 | -- | 735 | -- |
| 31 | Guidance, Counseling, & Evaluation Services | 35,476 | -- | 2,133 | -- |
| 33 | Health Services | 4,623 | -- | -- | -- |
| 34 | Student Transportation | 91,382 | -- | 2,444 | -- |
| 35 | Food Service | 111,727 | 19,434 | 112,471 | 56,636 |
| 36 | Cocurricular/Extracurricular Activities | 85,910 | 5,188 | 1,882 | -- |
| 41 | General Administration | 185,009 | -- | 723 | -- |
| 51 | Plant Maintenance and Operations | 252,462 | -- | 3,372 | -- |
| 52 | Security and Monitoring Services | 561 | -- | -- | -- |
| 53 | Data Processing Services | 42,266 | -- | 18,731 | -- |
| 61 | Community Services | 10,724 | -- | -- | -- |
| 72 | Interest on Long-term Debt | 4,353 | -- | -- | -- |
| 93 | Payments Related to Shared Services Arrangement: | 28,926 | -- | -- | -- |
| 99 | Other Intergovernmental Charges | 9,922 | -- | -- | -- |
| TG | Total Governmental Activities | <u>2,223,778</u> | <u>24,622</u> | <u>564,116</u> | <u>56,636</u> |
| | Business-type Activities: | | | | |
| 01 | Store | 370 | 219 | -- | -- |
| TP | Total Primary Government | <u>\$ 2,224,148</u> | <u>\$ 24,841</u> | <u>\$ 564,116</u> | <u>\$ 56,636</u> |
| | General Revenues: | | | | |
| MT | Property Taxes, Levied for General Purposes | | | | |
| IE | Investment Earnings | | | | |
| GC | Grants and Contributions Not Restricted to Specific Programs | | | | |
| MI | Miscellaneous | | | | |
| TR | Total General Revenues | | | | |
| CN | Change in Net Assets | | | | |
| NB | Net Assets - Beginning | | | | |
| NE | Net Assets - Ending | | | | |

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Assets

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|---------------------|
| \$ (816,763) | | \$ (816,763) |
| (8,425) | | (8,425) |
| (1,954) | | (1,954) |
| (20,818) | | (20,818) |
| (90,117) | | (90,117) |
| (33,343) | | (33,343) |
| (4,623) | | (4,623) |
| (88,938) | | (88,938) |
| 76,814 | | 76,814 |
| (78,840) | | (78,840) |
| (184,286) | | (184,286) |
| (249,090) | | (249,090) |
| (561) | | (561) |
| (23,535) | | (23,535) |
| (10,724) | | (10,724) |
| (4,353) | | (4,353) |
| (28,926) | | (28,926) |
| (9,922) | | (9,922) |
| <u>(1,578,404)</u> | | <u>(1,578,404)</u> |
| | | |
| -- | \$ (151) | (151) |
| <u>(1,578,404)</u> | <u>(151)</u> | <u>(1,578,555)</u> |
| | | |
| 945,508 | -- | 945,508 |
| 1,277 | -- | 1,277 |
| 716,191 | -- | 716,191 |
| 39,574 | -- | 39,574 |
| <u>1,702,550</u> | <u>--</u> | <u>1,702,550</u> |
| 124,146 | (151) | 123,995 |
| 1,577,737 | 14 | 1,577,751 |
| <u>\$ 1,701,883</u> | <u>\$ (137)</u> | <u>\$ 1,701,746</u> |

LANEVILLE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2010

| Data Control Codes | 10 General Fund | 24 National School Breakfast/Lunch Program | Other Governmental Funds | 98 Total Governmental Funds | |
|--------------------------|-------------------------------------|---|--------------------------------|--------------------------------------|-------------------|
| ASSETS: | | | | | |
| 1110 | Cash and Cash Equivalents | \$ 567 | \$ 24,298 | \$ 17,629 | \$ 42,494 |
| 1120 | Current Investments | 2,220 | -- | -- | 2,220 |
| 1225 | Taxes Receivable, Net | 81,640 | -- | -- | 81,640 |
| 1240 | Due from Other Governments | 344,640 | 60,759 | 3,658 | 409,057 |
| 1260 | Due from Other Funds | 937 | -- | -- | 937 |
| 1290 | Other Receivables | 4,050 | -- | -- | 4,050 |
| 1000 | Total Assets | <u>\$ 434,054</u> | <u>\$ 85,057</u> | <u>\$ 21,287</u> | <u>\$ 540,398</u> |
| LIABILITIES: | | | | | |
| Current Liabilities: | | | | | |
| 2110 | Accounts Payable | \$ 80,035 | \$ 61,206 | \$ -- | \$ 141,241 |
| 2160 | Accrued Wages Payable | 50,836 | -- | -- | 50,836 |
| 2170 | Due to Other Funds | 1,589 | -- | 937 | 2,526 |
| 2180 | Due to Other Governments | 16,047 | -- | -- | 16,047 |
| 2300 | Unearned Revenue | 81,640 | -- | 19,687 | 101,327 |
| 2000 | Total Liabilities | <u>230,147</u> | <u>61,206</u> | <u>20,624</u> | <u>311,977</u> |
| FUND BALANCES: | | | | | |
| Reserved Fund Balances: | | | | | |
| 3450 | Reserve for Food Service | -- | 23,851 | -- | 23,851 |
| 3490 | Other Reserves of Fund Balance | -- | -- | 663 | 663 |
| 3600 | Unreserved | 203,907 | -- | -- | 203,907 |
| 3000 | Total Fund Balances | <u>203,907</u> | <u>23,851</u> | <u>663</u> | <u>228,421</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 434,054</u> | <u>\$ 85,057</u> | <u>\$ 21,287</u> | <u>\$ 540,398</u> |

The accompanying notes are an integral part of this statement.

LANEVILLE 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 | \$ 228,421 |
| <p>Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:</p> | |
| Capital assets used in governmental activities are not reported in the funds. | 1,458,196 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 81,640 |
| The assets and liabilities of internal service funds are included in governmental activities in the SNA. | 2,111 |
| Payables for notes which are not due in the current period are not reported in the funds. | <u>(68,485)</u> |
| Net assets of governmental activities - Statement of Net Assets | <u>\$ 1,701,883</u> |

The accompanying notes are an integral part of this statement.

LANEVILLE 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 | 24 National School Breakfast/Lunch Program | Other Governmental Funds | 98 Total Governmental Funds |
|---|-----------------------|---|--------------------------------|--------------------------------------|
| REVENUES: | | | | |
| 5700 Local and Intermediate Sources | \$ 978,353 | \$ 19,434 | \$ 7,794 | \$ 1,005,581 |
| 5800 State Program Revenues | 763,318 | 3,696 | 62,785 | 829,799 |
| 5900 Federal Program Revenues | 9,840 | 165,411 | 324,099 | 499,350 |
| 5020 Total Revenues | <u>1,751,511</u> | <u>188,541</u> | <u>394,678</u> | <u>2,334,730</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 891,089 | -- | 312,687 | 1,203,776 |
| 0012 Instructional Resources and Media Services | 1,064 | -- | 7,361 | 8,425 |
| 0013 Curriculum and Staff Development | 669 | -- | 1,285 | 1,954 |
| 0021 Instructional Leadership | 2,273 | -- | 19,692 | 21,965 |
| 0023 School Leadership | 90,852 | -- | -- | 90,852 |
| 0031 Guidance, Counseling, & Evaluation Services | 35,476 | -- | -- | 35,476 |
| 0033 Health Services | 4,623 | -- | -- | 4,623 |
| 0034 Student Transportation | 83,888 | -- | -- | 83,888 |
| 0035 Food Service | -- | 171,360 | -- | 171,360 |
| 0036 Cocurricular/Extracurricular Activities | 139,194 | -- | -- | 139,194 |
| 0041 General Administration | 178,364 | -- | -- | 178,364 |
| 0051 Plant Maintenance and Operations | 252,462 | -- | -- | 252,462 |
| 0052 Security and Monitoring Services | 561 | -- | -- | 561 |
| 0053 Data Processing Services | -- | -- | 42,266 | 42,266 |
| 0061 Community Services | -- | -- | 10,724 | 10,724 |
| 0071 Principal on Long-term Debt | 18,648 | -- | -- | 18,648 |
| 0072 Interest on Long-term Debt | 4,353 | -- | -- | 4,353 |
| 0093 Payments to Shared Service Arrangements | 28,926 | -- | -- | 28,926 |
| 0099 Other Intergovernmental Charges | 9,922 | -- | -- | 9,922 |
| 6030 Total Expenditures | <u>1,742,364</u> | <u>171,360</u> | <u>394,015</u> | <u>2,307,739</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 Expenditures | <u>9,147</u> | <u>17,181</u> | <u>663</u> | <u>26,991</u> |
| Other Financing Sources and (Uses): | | | | |
| 7914 Non-Current Loan Proceeds | 80,338 | -- | -- | 80,338 |
| 7080 Total Other Financing Sources and (Uses) | <u>80,338</u> | <u>--</u> | <u>--</u> | <u>80,338</u> |
| 1200 Net Change in Fund Balances | 89,485 | 17,181 | 663 | 107,329 |
| 0100 Fund Balances - Beginning | 114,422 | 6,670 | -- | 121,092 |
| 3000 Fund Balances - Ending | <u>\$ 203,907</u> | <u>\$ 23,851</u> | <u>\$ 663</u> | <u>\$ 228,421</u> |

The accompanying notes are an integral part of this statement.

LANEVILLE 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 | \$ 107,329 |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | |
| Capital outlays are not reported as expenses in the SOA. | 141,544 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (68,377) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | 13,194 |
| Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA. | 6,795 |
| Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA. | 11,853 |
| The net revenue (expense) of internal service funds is reported with governmental activities. | (7,854) |
| Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds. | <u>(80,338)</u> |
| Change in net assets of governmental activities - Statement of Activities | <u>\$ 124,146</u> |

The accompanying notes are an integral part of this statement.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

AUGUST 31, 2010

| Data Control Codes | Nonmajor Enterprise Fund | Nonmajor Internal Service Fund |
|------------------------------------|--------------------------------|---|
| <u>ASSETS:</u> | <u>Store Fund</u> | <u>Workers Compensation Insurance</u> |
| Current Assets: | | |
| 1110 Cash and Cash Equivalents | \$ 13 | \$ 21,014 |
| Total Current Assets | <u>13</u> | <u>21,014</u> |
| 1000 Total Assets | <u>\$ 13</u> | <u>\$ 21,014</u> |
| LIABILITIES: | | |
| Current Liabilities: | | |
| 2110 Accounts Payable | \$ 150 | \$ -- |
| 2200 Accrued Expenditures/Expenses | -- | 18,903 |
| Total Current Liabilities | <u>150</u> | <u>18,903</u> |
| 2000 Total Liabilities | <u>150</u> | <u>18,903</u> |
| NET ASSETS: | | |
| 3900 Unrestricted Net Assets | (137) | 2,111 |
| 3000 Total Net Assets | <u>\$ (137)</u> | <u>\$ 2,111</u> |

The accompanying notes are an integral part of this statement.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

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

| Data Control Codes | Nonmajor Enterprise Fund | Nonmajor Internal Service Fund Workers Compensation Insurance |
|-------------------------------------|--------------------------------|--|
| | Store Fund | |
| | <u> </u> | <u> </u> |
| OPERATING REVENUES: | | |
| 5700 Local and Intermediate Sources | \$ 219 | \$ 229 |
| 5020 Total Revenues | <u>219</u> | <u>229</u> |
| OPERATING EXPENSES: | | |
| 6100 Payroll Costs | -- | 8,083 |
| 6400 Other Operating Costs | 370 | -- |
| 6030 Total Expenses | <u>370</u> | <u>8,083</u> |
| 1300 Change in Net Assets | (151) | (7,854) |
| 0100 Total Net Assets - Beginning | 14 | 9,965 |
| 3300 Total Net Assets - Ending | <u>\$ (137)</u> | <u>\$ 2,111</u> |

The accompanying notes are an integral part of this statement.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2010

| | Nonmajor Enterprise Fund | Nonmajor Internal Service Fund Workers' Compensation Fund |
|---|--------------------------------|--|
| | Store Fund | |
| Cash Flows from Operating Activities: | | |
| Cash Received from Customers | \$ 219 | \$ -- |
| Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds | -- | -- |
| Cash Payments to Employees for Services | -- | -- |
| Cash Payments to Other Suppliers for Goods and Services | (220) | (3,593) |
| Other Operating Cash Receipts (Payments) | -- | -- |
| Net Cash Provided (Used) by Operating Activities | <u>(1)</u> | <u>(3,593)</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of Investment Securities | -- | -- |
| Proceeds from Sale and Maturities of Securities | -- | -- |
| Interest and Dividends on Investments | -- | 229 |
| Net Cash Provided (Used) for Investing Activities | <u>--</u> | <u>229</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1) | (3,364) |
| Cash and Cash Equivalents at Beginning of Year | 14 | 24,378 |
| Cash and Cash Equivalents at End of Year | <u>\$ 13</u> | <u>\$ 21,014</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating Income (Loss) | \$ (151) | \$ (8,083) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | |
| Depreciation | -- | -- |
| Change in Assets and Liabilities: | | |
| Increase (Decrease) in Accounts Payable | 150 | -- |
| Increase (Decrease) in Accrued Expenses | -- | 4,490 |
| Total Adjustments | <u>150</u> | <u>4,490</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (1)</u> | <u>\$ (3,593)</u> |

The accompanying notes are an integral part of this statement.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2010

| Data Control Codes | | Private-purpose Trust Fund | Agency Fund |
|--------------------------|---------------------------|--------------------------------------|---------------------|
| | | Laneville ISD Scholarship Fund | Student Activity |
| | ASSETS: | | |
| 1110 | Cash and Cash Equivalents | \$ 4,005 | \$ 5,428 |
| 1260 | Due from Other Funds | 1,589 | -- |
| 1000 | Total Assets | <u>\$ 5,594</u> | <u>\$ 5,428</u> |
| | LIABILITIES: | | |
| | Current Liabilities: | | |
| 2190 | Due to Student Groups | \$ -- | \$ 5,428 |
| 2000 | Total Liabilities | <u>--</u> | <u>5,428</u> |
| | NET ASSETS | | |
| 3800 | Held in Trust | 5,594 | -- |
| 3000 | Total Net Assets | <u>\$ 5,594</u> | <u>\$ --</u> |

The accompanying notes are an integral part of this statement.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2010

| | Private- Purpose Trusts |
|----------------------------------|-------------------------------|
| Additions: | |
| Donations | \$ 300 |
| Transfers from General Fund | 5,389 |
| Total Additions | <u>5,689</u> |
| Deductions: | |
| Scholarship and awards | 5,389 |
| Administrative Expenses | -- |
| Total Deductions | <u>5,389</u> |
| Change in Net Assets | 300 |
| Net Assets-Beginning of the Year | 5,294 |
| Net Assets-End of the Year | <u>\$ 5,594</u> |

The accompanying notes are an integral part of this statement.

LANEVILLE 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 Laneville 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. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

National School Breakfast/Lunch Program Fund: This fund accounts for the revenues and expenditures associated with the operation of the District's cafeteria.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

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

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

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

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements 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 does not consider revenues collected after its year-end to be available in the current period. 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.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB standards.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds 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.

c. 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.

d. 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 | 50 |
| Building Improvements | 15 |
| Vehicles | 10 |
| Equipment | 5-20 |

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

LANEVILLE INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010*

f. 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.

g. Use of Estimates

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

h. 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. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None | Not applicable |

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

| <u>Fund Name</u> | <u>Deficit Amount</u> | <u>Remarks</u> |
|------------------------------|-----------------------|---|
| Store Fund (Enterprise Fund) | \$ 137 | General Fund will supplement this fund as needed. |

LANEVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,906 (net of \$64,051 bank overdraft included with accounts payable) and the bank balance was \$39,880. 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 be written; primarily emphasize safety of principal and liquidity; address investment diversification, acceptable risk levels, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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 general purpose 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, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District's investments at August 31, 2010 are shown below.

| <u>Investment</u> | <u>Maturity</u> | <u>Fair Value</u> |
|-------------------------|-----------------|-------------------|
| TexPool Investment Pool | n/a | \$ 2,220 |
| Total investments | | <u>\$ 2,220</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.

At August 31, 2010, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

TexPool Local Government Investment Pool – AAAM by Standard and Poors

LANEVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

4. 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.

5. 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.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

D. Capital Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|------------------|-------------|---------------------|
| <i>Governmental Activities:</i> | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 56,218 | \$ - | \$ - | \$ 56,218 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | <u>56,218</u> | <u>-</u> | <u>-</u> | <u>56,218</u> |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and improvements | 2,773,684 | - | - | 2,773,684 |
| Equipment | 148,301 | 61,206 | - | 209,507 |
| Vehicles | 300,627 | 80,338 | - | 380,965 |
| Total capital assets being depreciated | <u>3,222,612</u> | <u>141,544</u> | <u>-</u> | <u>3,364,156</u> |
| <i>Less accumulated depreciation for:</i> | | | | |
| Buildings and improvements | (1,492,011) | (50,725) | - | (1,542,736) |
| Equipment | (121,328) | (15,103) | - | (136,431) |
| Vehicles | (280,462) | (2,549) | - | (283,011) |
| Total accumulated depreciation | <u>(1,893,801)</u> | <u>(68,377)</u> | <u>-</u> | <u>(1,962,178)</u> |
| Total capital assets being depreciated, net | <u>1,328,811</u> | <u>73,167</u> | <u>-</u> | <u>1,401,978</u> |
| Governmental activities capital assets, net | <u>\$ 1,385,029</u> | <u>\$ 73,167</u> | <u>\$ -</u> | <u>\$ 1,458,196</u> |

Depreciation was charged to functions as follows:

| | |
|----------------------------|------------------|
| Instruction | \$ 25,611 |
| Student transportation | 7,494 |
| Food services | 1,573 |
| Extracurricular activities | 27,054 |
| General administration | 6,645 |
| Total depreciation | <u>\$ 68,377</u> |

E. Interfund Balances and Activities

1. Due To and From Other Funds

In the fund financial statements, interfund balances are the result of normal transactions between funds and will be liquidated in the subsequent fiscal year. 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 | ESEA Title II Part A | \$ 896 | Facilitate cash flow |
| General Fund | Title II Part D Enhancing Education with Technology | 41 | Facilitate cash flow |
| Scholarship Fund | General Fund | 1,589 | Facilitate cash flow |
| | Total | <u>\$ 2,526</u> | |

LANEVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2010

2. Transfers To and From Other Funds

The summary of the District's transfers for the year ended August 31, 2010 is as follows:

| <u>Transfers From</u> | <u>Transfers To</u> | <u>Amount</u> | <u>Purpose</u> |
|-----------------------|---------------------|---------------|----------------|
| None | | \$ - | |
| | Total | \$ - | |

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

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

| <u>Governmental activities:</u> | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> | <u>Amounts Due Within One Year</u> |
|---------------------------------|---------------------------|------------------|------------------|------------------------|------------------------------------|
| Note payable | \$ - | \$ 80,338 | \$ 11,853 | \$ 68,485 | \$ 12,376 |
| Capital lease payable | 6,795 | - | 6,795 | - | - |
| Total governmental activities | \$ 6,795 | \$ 80,338 | \$ 18,648 | \$ 68,485 | \$ 12,376 |

Debts payable are comprised of the following individual issues:

| <u>Issue</u> | <u>Interest Rates</u> | <u>Annual Payment</u> | <u>Original Issue</u> | <u>Maturity Date</u> | <u>Balance at Year-End</u> |
|--------------------------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Note payable for purchase of bus | 5.04% | \$ 15,851 | \$ 80,338 | 2015 | \$ 68,485 |
| Capital lease for lighting equipment | 6.81% | 7,150 | 50,970 | 2010 | - |
| Total Governmental Activities Debt | | | | | \$ 68,485 |

Equipment purchased with the debt is pledged as security.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

2. Debt Service Requirements

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

| <u>Year Ending August 31.</u> | Governmental Activities | | |
|-------------------------------|-------------------------|------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2011 | \$ 12,376 | \$ 3,475 | \$ 15,851 |
| 2012 | 13,004 | 2,847 | 15,851 |
| 2013 | 13,663 | 2,188 | 15,851 |
| 2014 | 14,357 | 1,494 | 15,851 |
| 2015 | 15,085 | 766 | 15,851 |
| Totals | <u>\$ 68,485</u> | <u>\$ 10,770</u> | <u>\$ 79,255</u> |

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 2010, the District participated in pools designed for school districts to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

The District participates in a partially self-funded workers' compensation pool administered by Claims Administrative Services, Inc. The District pays a contribution for the fund year to cover the servicing of programs administration, claims handling, loss control and stop loss coverage. Provided the District remains in the pool, there are no additional fees for services. The District has retained the services of an independent plan supervisor experienced in claims processing. The agreement for formation of the Plan provides that the Plan will be self-sustaining through member premiums and will reinsure through commercial companies for excessive claims.

Changes in the balances of workers' compensation claim liabilities during the past three years are as follows:

| | <u>Balance Beginning of Year</u> | <u>Incurred Claims (IBNR)</u> | <u>Claims Paid</u> | <u>Balance End of Year</u> |
|-------------------------|--|-----------------------------------|--------------------|--------------------------------|
| Year ended Aug 31, 2008 | \$ 24,410 | \$ (3,458) | \$ 8,633 | \$ 12,319 |
| Year ended Aug 31, 2009 | 12,319 | 5,455 | 3,361 | 14,413 |
| Year ended Aug 31, 2010 | 14,413 | 8,083 | 3,593 | 18,903 |

H. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

LANEVILLE 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 ended August 31, 2010, 2009 and 2008 were \$68,980, \$63,372, and \$67,953, 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 ended August 31, 2010, 2009 and 2008 were \$ \$17,020, \$11,020 and \$11,830, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$59,634 for the year ended August 31, 2010.

I. Retiree Health Care Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 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 \$10,778, \$10,683, and \$10,618, respectively, the active member contributions were \$7,006, \$6,944, and \$6,902, respectively, and the District's contributions were \$8,167, \$7,231, and \$7,551, 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 \$2,717, \$2,413, and \$2,467, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the Plan) through the TRS Active Care Program. The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2010

K. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the 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 basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2010.

L. Shared Services Arrangements

Shared Services Arrangement - Membership

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

Member Districts

Carlisle ISD
Leverett's Chapel ISD
Mt. Enterprise ISD
Overton ISD
Tatum ISD

The District does not account for revenues or expenditures in this program 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, Overton ISD, 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.

M. Other Disclosures

A bank overdraft of \$64,051 is included with accounts payable in the General Fund.

Other reserves of fund balance, as stated in the Balance Sheet of the Governmental Funds, consisted of:

| | | |
|----------------------|----|------------|
| Technology Allotment | \$ | 663 |
| Total | \$ | <u>663</u> |

The allowance for uncollectible property taxes was \$71,010 at August 31, 2010.

Interest income was \$1,506 for the year ended August 31, 2010.

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.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT G-1

Page 1 of 2

| Data Control Codes | | 1 | 2 | 3 | Variance with Final Budget Positive (Negative) |
|---|--|------------------|------------------|------------------|---|
| | | Budgeted Amounts | | | |
| | | Original | Final | Actual | |
| REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 974,032 | \$ 1,002,521 | \$ 978,353 | \$ (24,168) |
| 5800 | State Program Revenues | 503,592 | 665,323 | 763,318 | 97,995 |
| 5900 | Federal Program Revenues | 5,573 | 10,073 | 9,840 | (233) |
| 5020 | Total Revenues | <u>1,483,197</u> | <u>1,677,917</u> | <u>1,751,511</u> | <u>73,594</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instructional & Instructional Related Services: | | | | | |
| 0011 | Instruction | 750,074 | 906,371 | 891,089 | 15,282 |
| 0012 | Instructional Resources and Media Services | 1,565 | 1,072 | 1,064 | 8 |
| 0013 | Curriculum and Staff Development | 900 | 670 | 669 | 1 |
| | Total Instruction & Instr. Related Services | <u>752,539</u> | <u>908,113</u> | <u>892,822</u> | <u>15,291</u> |
| Instructional and School Leadership: | | | | | |
| 0021 | Instructional Leadership | -- | 2,273 | 2,273 | -- |
| 0023 | School Leadership | 87,516 | 91,261 | 90,852 | 409 |
| | Total Instructional & School Leadership | <u>87,516</u> | <u>93,534</u> | <u>93,125</u> | <u>409</u> |
| Support Services - Student (Pupil): | | | | | |
| 0031 | Guidance, Counseling and Evaluation Services | 45,501 | 35,921 | 35,476 | 445 |
| 0033 | Health Services | 4,850 | 4,650 | 4,623 | 27 |
| 0034 | Student (Pupil) Transportation | 65,279 | 81,382 | 83,888 | (2,506) |
| 0036 | Cocurricular/Extracurricular Activities | 68,106 | 139,869 | 139,194 | 675 |
| | Total Support Services - Student (Pupil) | <u>183,736</u> | <u>261,822</u> | <u>263,181</u> | <u>(1,359)</u> |
| Administrative Support Services: | | | | | |
| 0041 | General Administration | 198,646 | 189,947 | 178,364 | 11,583 |
| | Total Administrative Support Services | <u>198,646</u> | <u>189,947</u> | <u>178,364</u> | <u>11,583</u> |
| Support Services - Nonstudent Based: | | | | | |
| 0051 | Plant Maintenance and Operations | 213,915 | 242,421 | 252,462 | (10,041) |
| 0052 | Security and Monitoring Services | 969 | 569 | 561 | 8 |
| | Total Support Services - Nonstudent Based | <u>214,884</u> | <u>242,990</u> | <u>253,023</u> | <u>(10,033)</u> |
| Debt Service: | | | | | |
| 0071 | Principal on Long-Term Debt | -- | 18,650 | 18,648 | 2 |
| 0072 | Interest on Long-Term Debt | -- | 4,355 | 4,353 | 2 |
| | Total Debt Service | <u>7,150</u> | <u>30,155</u> | <u>23,001</u> | <u>7,154</u> |

LANEVILLE 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 | | |
| | Intergovernmental Charges: | | | | |
| 0093 | Payments to Fiscal Agent/Member Dist.-SSA | 28,926 | 28,926 | 28,926 | -- |
| 0099 | Other Intergovernmental Charges | 9,800 | 9,922 | 9,922 | -- |
| | Total Intergovernmental Charges | <u>38,726</u> | <u>38,848</u> | <u>38,848</u> | <u>--</u> |
| 6030 | Total Expenditures | <u>1,483,197</u> | <u>1,765,409</u> | <u>1,742,364</u> | <u>23,045</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | <u>--</u> | <u>(87,492)</u> | <u>9,147</u> | <u>96,639</u> |
| | Other Financing Sources (Uses): | | | | |
| 7914 | Non-Current Loan Proceeds | <u>--</u> | <u>80,338</u> | <u>80,338</u> | <u>--</u> |
| 7080 | Total Other Financing Sources and (Uses) | <u>--</u> | <u>80,338</u> | <u>80,338</u> | <u>--</u> |
| 1200 | Net Change in Fund Balance | <u>--</u> | <u>(7,154)</u> | <u>89,485</u> | <u>96,639</u> |
| 0100 | Fund Balance - Beginning | 114,422 | 114,422 | 114,422 | -- |
| 3000 | Fund Balance - Ending | <u>\$ 114,422</u> | <u>\$ 107,268</u> | <u>\$ 203,907</u> | <u>\$ 96,639</u> |

LANEVILLE INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

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

| Data Control Codes | | 1 | 2 | 3 | Variance with Final Budget Positive (Negative) |
|-------------------------------------|--|------------------|-----------------|------------------|---|
| | | Budgeted Amounts | | Actual | |
| | | Original | Final | | |
| REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 24,360 | \$ 22,360 | \$ 19,434 | \$ (2,926) |
| 5800 | State Program Revenues | 600 | 4,179 | 3,696 | (483) |
| 5900 | Federal Program Revenues | 90,900 | 164,806 | 165,411 | 605 |
| 5020 | Total Revenues | <u>115,860</u> | <u>191,345</u> | <u>188,541</u> | <u>(2,804)</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Support Services - Student (Pupil): | | | | | |
| 0035 | Food Services | 119,439 | 191,378 | 171,360 | 20,018 |
| | Total Support Services - Student (Pupil) | <u>119,439</u> | <u>191,378</u> | <u>171,360</u> | <u>20,018</u> |
| 6030 | Total Expenditures | <u>119,439</u> | <u>191,378</u> | <u>171,360</u> | <u>20,018</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | <u>(3,579)</u> | <u>(33)</u> | <u>17,181</u> | <u>17,214</u> |
| 1200 | Net Change in Fund Balance | <u>(3,579)</u> | <u>(33)</u> | <u>17,181</u> | <u>17,214</u> |
| 0100 | Fund Balance - Beginning | 6,670 | 6,670 | 6,670 | -- |
| 3000 | Fund Balance - Ending | <u>\$ 3,091</u> | <u>\$ 6,637</u> | <u>\$ 23,851</u> | <u>\$ 17,214</u> |

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.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 AUGUST 31, 2010

| Data Control Codes | | 255 ESEA Title II Training & Recruiting | 262 Enhancing Education with Technology |
|--------------------------|-------------------------------------|--|--|
| ASSETS: | | | |
| 1110 | Cash and Cash Equivalents | \$ (1,743) | \$ (476) |
| 1240 | Due from Other Governments | 2,639 | 517 |
| 1000 | Total Assets | <u>\$ 896</u> | <u>\$ 41</u> |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| 2170 | Due to Other Funds | \$ 896 | \$ 41 |
| 2300 | Unearned Revenue | -- | -- |
| 2000 | Total Liabilities | <u>896</u> | <u>41</u> |
| FUND BALANCES: | | | |
| Reserved Fund Balances: | | | |
| 3490 | Other Reserves of Fund Balance | <u>--</u> | <u>--</u> |
| 3000 | Total Fund Balances | <u>--</u> | <u>--</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 896</u> | <u>\$ 41</u> |

| 289 Rural Achievement Program (REAP) | 411 Technology Allotment | 499 Region VII ESC Technology Consortium | Total Nonmajor Special Revenue Funds (See Exhibit C-1) |
|---|--------------------------------|---|---|
| \$ (502) | \$ 663 | \$ 19,687 | \$ 17,629 |
| <u>502</u> | <u>--</u> | <u>--</u> | <u>3,658</u> |
| <u>\$ --</u> | <u>\$ 663</u> | <u>\$ 19,687</u> | <u>\$ 21,287</u> |
| | | | |
| \$ -- | \$ -- | \$ -- | \$ 937 |
| <u>--</u> | <u>--</u> | <u>19,687</u> | <u>19,687</u> |
| <u>--</u> | <u>--</u> | <u>19,687</u> | <u>20,624</u> |
| | | | |
| <u>--</u> | <u>663</u> | <u>--</u> | <u>663</u> |
| <u>--</u> | <u>663</u> | <u>--</u> | <u>663</u> |
| <u>\$ --</u> | <u>\$ 663</u> | <u>\$ 19,687</u> | <u>\$ 21,287</u> |

LANEVILLE 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 | 205 Head Start | 211 ESEA Title I Improving Basic Programs | 224 IDEA-B Formula | 255 ESEA Title II Training & Recruiting |
|---|-------------------|--|--------------------------|--|
| REVENUES: | | | | |
| 5700 Local and Intermediate Sources | \$ -- | \$ -- | \$ -- | \$ -- |
| 5800 State Program Revenues | -- | -- | -- | -- |
| 5900 Federal Program Revenues | 33,825 | 122,372 | 8,615 | 23,954 |
| 5020 Total Revenues | <u>33,825</u> | <u>122,372</u> | <u>8,615</u> | <u>23,954</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 33,825 | 62,566 | 8,615 | 23,128 |
| 0012 Instructional Resources and Media Services | -- | 7,361 | -- | -- |
| 0013 Curriculum and Staff Development | -- | 1,000 | -- | 285 |
| 0021 Instructional Leadership | -- | 17,186 | -- | 541 |
| 0053 Data Processing Services | -- | 23,535 | -- | -- |
| 0061 Community Services | -- | 10,724 | -- | -- |
| 6030 Total Expenditures | <u>33,825</u> | <u>122,372</u> | <u>8,615</u> | <u>23,954</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | -- | -- | -- | -- |
| 1100 Expenditures | -- | -- | -- | -- |
| 1200 Net Change in Fund Balances | -- | -- | -- | -- |
| 0100 Fund Balances - Beginning | -- | -- | -- | -- |
| 3000 Fund Balances - Ending | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

| 262 Enhancing Education with Technology | 266 ARRA State Fiscal Stabilization | 279 ARRA Enhancing Technology | 283 ARRA IDEA - Part B Formula | 285 ARRA Improving Basic Programs |
|--|--|--|---|--|
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| -- | -- | -- | -- | -- |
| 1,094 | 52,024 | 1,531 | 31,125 | 49,006 |
| <u>1,094</u> | <u>52,024</u> | <u>1,531</u> | <u>31,125</u> | <u>49,006</u> |
| 1,069 | 51,224 | 1,497 | 31,125 | 29,169 |
| -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- |
| 25 | 800 | 34 | -- | 1,106 |
| -- | -- | -- | -- | 18,731 |
| -- | -- | -- | -- | -- |
| <u>1,094</u> | <u>52,024</u> | <u>1,531</u> | <u>31,125</u> | <u>49,006</u> |
| -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

LANEVILLE 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 | 289 Rural Achievement Program (REAP) | 404 Student Success Initiative | 411 Technology Allotment |
|---|---|---|--------------------------------|
| REVENUES: | | | |
| 5700 Local and Intermediate Sources | \$ -- | \$ -- | \$ -- |
| 5800 State Program Revenues | -- | 947 | 3,215 |
| 5900 Federal Program Revenues | 553 | -- | -- |
| 5020 Total Revenues | <u>553</u> | <u>947</u> | <u>3,215</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 553 | 947 | 2,552 |
| 0012 Instructional Resources and Media Services | -- | -- | -- |
| 0013 Curriculum and Staff Development | -- | -- | -- |
| 0021 Instructional Leadership | -- | -- | -- |
| 0053 Data Processing Services | -- | -- | -- |
| 0061 Community Services | -- | -- | -- |
| 6030 Total Expenditures | <u>553</u> | <u>947</u> | <u>2,552</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | <u>--</u> | <u>--</u> | <u>663</u> |
| 1200 Net Change in Fund Balances | -- | -- | 663 |
| 0100 Fund Balances - Beginning | -- | -- | -- |
| 3000 Fund Balances - Ending | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 663</u> |

| 415 Prekindergarten Early Start Partners | 426 Texas Educator Excellence Award Program | 429 District Awards for Teacher Excellence | 499 Region VII ESC Technology Consortium | Total Nonmajor Special Revenue Funds (See Exhibit C-2) |
|---|--|---|---|---|
| \$ -- | \$ -- | \$ -- | \$ 7,794 | \$ 7,794 |
| 6,377 | 40,000 | 12,246 | -- | 62,785 |
| -- | -- | -- | -- | 324,099 |
| <u>6,377</u> | <u>40,000</u> | <u>12,246</u> | <u>7,794</u> | <u>394,678</u> |
| 6,377 | 40,000 | 12,246 | 7,794 | 312,687 |
| -- | -- | -- | -- | 7,361 |
| -- | -- | -- | -- | 1,285 |
| -- | -- | -- | -- | 19,692 |
| -- | -- | -- | -- | 42,266 |
| -- | -- | -- | -- | 10,724 |
| <u>6,377</u> | <u>40,000</u> | <u>12,246</u> | <u>7,794</u> | <u>394,015</u> |
| -- | -- | -- | -- | 663 |
| -- | -- | -- | -- | 663 |
| -- | -- | -- | -- | -- |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 663</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.

LANEVILLE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED AUGUST 31, 2010

| Year Ended August 31 | 1 | | 2 | | 3 | |
|--------------------------------|-------------|---------|--------------|---------|--|------------|
| | Tax Rates | | | | Assessed/Appraised Value For School Tax Purposes | |
| | Maintenance | | Debt Service | | | |
| 2001 and Prior Years | \$ | Various | \$ | Various | \$ | Various |
| 2002 | | 1.3762 | | -- | | 36,855,665 |
| 2003 | | 1.50 | | -- | | 41,479,180 |
| 2004 | | 1.50 | | -- | | 38,753,400 |
| 2005 | | 1.50 | | -- | | 38,075,751 |
| 2006 | | 1.50 | | -- | | 45,909,468 |
| 2007 | | 1.37 | | -- | | 51,675,500 |
| 2008 | | 1.04 | | -- | | 76,027,350 |
| 2009 | | 1.04 | | -- | | 98,972,596 |
| 2010 (School Year Under Audit) | | 1.17 | | -- | | 79,342,480 |

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 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 23,644 | \$ -- | \$ 427 | \$ -- | \$ (906) | \$ 22,311 |
| 4,195 | -- | 344 | -- | (21) | 3,830 |
| 6,448 | -- | 516 | -- | (27) | 5,905 |
| 7,621 | -- | 1,058 | -- | (27) | 6,536 |
| 8,870 | -- | 2,323 | -- | (27) | 6,520 |
| 11,478 | -- | 2,225 | -- | (194) | 9,059 |
| 17,951 | -- | 4,173 | -- | (220) | 13,558 |
| 17,962 | -- | 3,926 | -- | (326) | 13,710 |
| 33,118 | -- | 9,861 | -- | (1,189) | 22,068 |
| -- | 934,487 | 884,114 | -- | (1,220) | 49,153 |
| <u>\$ 131,287</u> | <u>\$ 934,487</u> | <u>\$ 908,967</u> | <u>\$ --</u> | <u>\$ (4,157)</u> | <u>\$ 152,650</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |

LANEVILLE 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 - GENERAL ADMINISTRATION

| Account Number | Account Name | 1 (702) School Board | 2 (703) Tax Collection | 3 (701) Supt's Office | 4 (750) Indirect Cost | 5 (720) Direct Cost | 6 (Other) Misc. | 7 Total |
|----------------|--|----------------------------|------------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------|------------|
| 611X-6146 | Payroll Costs | \$ -- | \$ -- | \$ 80,346 | \$ 54,483 | \$ -- | \$ -- | \$ 134,829 |
| 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 | -- | 430 | -- | -- | -- | -- | 430 |
| 6212 | Audit Services | -- | -- | -- | 7,800 | -- | -- | 7,800 |
| 6213 | Tax Appraisal and Collection | -- | 8,843 | -- | -- | -- | -- | 8,843 |
| 621X | Other Prof. Services | -- | -- | -- | -- | -- | -- | -- |
| 6220 | Tuition and Transfer Payments | -- | -- | -- | -- | -- | -- | -- |
| 6230 | Education Service Centers | -- | -- | -- | 6,325 | -- | -- | 6,325 |
| 6240 | Contr. Maint. and Repair | -- | -- | -- | -- | -- | -- | -- |
| 6250 | Utilities | -- | -- | -- | -- | -- | -- | -- |
| 6260 | Rentals | -- | -- | -- | -- | -- | -- | -- |
| 6290 | Miscellaneous Contr. | -- | -- | -- | -- | -- | -- | -- |
| 6310 | Operational Supplies, Materials | -- | -- | -- | -- | -- | -- | -- |
| 6320 | Textbooks and Reading | -- | -- | -- | -- | -- | -- | -- |
| 6330 | Testing Materials | -- | -- | -- | -- | -- | -- | -- |
| 63XX | Other Supplies, Materials | -- | -- | 1,078 | 1,414 | -- | -- | 2,492 |
| 6410 | Travel, Subsistence, Stipends | 64 | -- | 2,318 | 35 | -- | -- | 2,417 |
| 6420 | Ins. and Bonding Costs | 1,939 | -- | -- | -- | -- | -- | 1,939 |
| 6430 | Election Costs | 3,503 | -- | -- | -- | -- | -- | 3,503 |
| 6490 | Miscellaneous Operating | -- | -- | 8,753 | 1,033 | -- | -- | 9,786 |
| 6500 | Debt Service | -- | -- | -- | -- | -- | -- | -- |
| 6600 | Capital Outlay | -- | -- | -- | -- | -- | -- | -- |

Total \$ 5,506 \$ 9,273 \$ 92,495 \$ 71,090 \$ -- \$ -- \$ 178,364

Total Expenditures for General and Special Revenue Funds (9) \$ 2,307,739

LESS: Deductions of Unallowable Costs

FISCAL YEAR

| | | |
|--|------|------------------|
| Total Capital Outlay (6600) | (10) | \$ 141,544 |
| Total Debt & Lease (6500) | (11) | \$ 23,001 |
| Plant Maintenance (Function 51, 6100-6400) | (12) | \$ 252,462 |
| Food (Function 35, 6341 and 6499) | (13) | \$ 42,474 |
| Stipends (6413) | (14) | \$ -- |
| Column 4 (above) - Total Indirect Cost | | <u>\$ 71,090</u> |

Subtotal 530,571

Net Allowed Direct Cost \$ 1,777,168

CUMULATIVE

| | | |
|---|------|--------------|
| Total Cost of Buildings Before Depreciation (1520) | (15) | \$ 2,773,684 |
| Historical Cost of Buildings over 50 years old | (16) | 271,591 |
| Amount of Federal Money in Building Cost (Net of #16) | (17) | -- |
| Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540) | (18) | 590,472 |
| Historical Cost of Furniture & Equipment over 16 years old | (19) | 217,491 |
| Amount of Federal Money in Furniture & Equipment (Net of #19) | (20) | \$ 61,206 |

(8) Note A - No Function 53 expenditures and no Function 99 expenditures are included in this report on administrative costs.

LANEVILLE 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) | \$ 203,907 |
| 2 | Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only) | -- |
| 3 | Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only) | -- |
| 4 | Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues) | 511,813 |
| 5 | Estimate of one month's average cash disbursements during the regular school session (9/1/10 - 5/31/11) | 149,005 |
| 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) | 660,818 |
| 11 | Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10) | \$ (456,911) |

If Item 11 is a Positive Number

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

HALLS, JOHNSON, MCLEMORE, REDFIELD & RODRIGUES, LLP

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A REGISTERED LIMITED LIABILITY PARTNERSHIP
1329 N. University Dr., Suite A3, Nacogdoches, Texas 75961
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Michael Halls, CPA
Gary Johnson, CPA
Terre McLemore, CPA
J.D. Redfield, CPA
Kenneth Rodrigues, CPA, P.C.

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
Laneville Independent School District
P.O. Box 127
Laneville, Texas 75667

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Laneville Independent School District (the "District") as of and for the year ended August 31, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 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 the 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

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

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

Respectfully submitted,

Halls, Johnson, McLeMora, Redfield & Rodriguez, LLP

Nacogdoches, Texas
November 30, 2010

LANEVILLE 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

The District is not required to obtain a Single Audit.

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

LANEVILLE 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> |
|-------------------------------|-----------------------|--|
| No prior findings | | |

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

N/A - No current findings

LANEVILLE 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? | \$ -- |