

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2009

Prairie Valley Independent School District
Annual Financial Report
For The Year Ended August 31, 2009

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report on Financial Statements.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	13	A-1
Statement of Activities.....	14	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	15	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	16	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	17	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	18	C-3
Statement of Fiduciary Net Assets - Fiduciary Funds.....	19	E-1
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	20	E-2
Notes to the Financial Statements	21	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	30	G-1
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	32	J-1
Indirect Cost Computation Schedule	34	J-2
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	35	J-3
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	36	J-4
Report on Internal Control over Financial Reporting and on Compliance and		
Other Matters Based on an Audit of Financial Statements Performed		
in Accordance with <i>Government Auditing Standards</i>	37	
Schedule of Findings and Questioned Costs	39	
Summary Schedule of Prior Audit Findings.....	40	
Corrective Action Plan.....	41	
Schedule of Required Responses to Selected School First Indicators.....	42	K-1

CERTIFICATE OF BOARD

Prairie Valley Independent School District
Name of School District

Montague
County

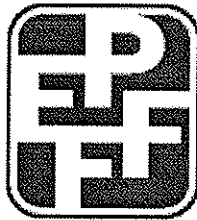
169-909
Co.-Dist. Number

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

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)



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Financial Statements

Board of Trustees
Prairie Valley Independent School District
12920 FM 103
Nocona, Texas 76255

Members of the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Prairie Valley Independent School District as of August 31, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

November xx, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Prairie Valley Independent School District, we offer readers of the District's Annual Financial Report this narrative overview and analysis of the District's financial performance during the fiscal year ended August 31, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities at August 31, 2009 by \$2,053,975 (net assets). Of this amount, \$1,121,092 (unrestricted net assets) may be used to meet the District's obligations.
- During the year, the District's total net assets increased by \$68,795. The District's expenses, which totaled \$2,013,774, were less than the District's program revenues of \$189,056 and general revenues of \$1,893,513.
- The total cost of the District's programs increased \$360,117 from last year mainly due to the effect of becoming classified as a Chapter 41 district by the Texas Education Agency, which resulted in the District incurring an additional \$219,043 of expenses for repayment of funds to TEA. The remaining increase was due to normal increases in expenses such as food costs, utility costs, and teacher pay raises during the fiscal year.
- The governmental funds reported a fund balance this year of \$1,097,214, which is an increase of \$61,375 in comparison with the prior year amount.
- At the end of the current fiscal year, the unreserved, undesignated fund balance of the General Fund was \$291,867, or 15% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

All of the District's services are reported in the government-wide financial statements, including instruction, student support services, student transportation, general administration, school leadership, and food services. Property taxes, state and federal aid, and investment earnings finance most of the activities. Additionally, all capital and debt financing activities are reported here.

The government-wide financial statements are designed to provide readers a broad overview of the District's finances in a manner similar to a private-sector business.

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

The *statement of activities* details how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes and earned but unused vacation leave).

Fund Financial Statements

The District uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole. Some funds are required by State law and or bond covenants. Other funds may be established by the District to control and manage money for particular purposes or to evidence appropriate use of certain taxes, grants, and other special revenues.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus on *governmental funds* is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. These reconciliations facilitate the comparison between *governmental funds* and *governmental activities*.

The District maintained multiple governmental funds in fiscal year 2008-09. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered a major fund. Financial data for the other governmental funds are combined into a single, aggregated presentation.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Immediately following the *required supplementary information* is the *other supplementary information* which includes required TEA schedules.

Government-wide Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. Exhibited below in Table 1 are the District's net assets summarized for the *governmental activities*.

Table 1 - District's Net Assets

	Governmental Activities			
	2009	2008	Change	% Change
Current and other assets	\$ 1,511,175	\$ 1,295,698	\$ 215,477	17%
Capital assets, net	1,027,536	920,969	106,567	12%
Total Assets	2,538,711	2,216,667	322,044	15%
Current liabilities	484,736	231,487	253,249	109%
Total Liabilities	484,736	231,487	253,249	109%
Net assets:				
Invested in capital assets, net of related debt	927,536	920,969	6,567	1%
Restricted	5,347	12,438	(7,091)	-57%
Unrestricted	1,121,092	1,051,773	69,319	7%
Total Net Assets	\$ 2,053,975	\$ 1,985,180	\$ 68,795	3%

Investment in capital assets (e.g. land, buildings, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding is \$927,536. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

A small portion of the District's net assets, \$5,347, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets of \$1,121,092 may be used to meet the District's ongoing obligations.

Changes in Net Assets

The District's total revenues, both program and general, were \$2,082,569. A significant portion, 70%, of the District's revenue comes from property taxes. Unrestricted grants and contributions, which includes state aid formula grants, provided 19% of the revenues and 8% comes from operating grants, while only 1% relates to charges for services. Exhibited below in Table 2 are the District's revenues for the years ended August 31, 2009 and 2008 for the District's *governmental activities*.

Table 2 - District's Revenues

	Governmental Activities			
	2009	Percent	2008	Percent
Charges for services	\$ 26,808	1%	\$ 21,626	1%
Operating grants and contributions	162,248	8%	152,463	8%
Property taxes	1,454,984	70%	1,095,151	57%
Grants and contributions not restricted	390,783	19%	607,924	32%
Investment earnings	37,105	2%	51,037	3%
Miscellaneous	10,641	1%	-	0%
Total Revenues	\$ 2,082,569	101%	\$ 1,928,201	101%

Exhibited below in Table 3 are the District's expenses for the years ended August 31, 2009 and 2008 for the District's *governmental activities*. The total cost of all programs and services was \$2,013,774. Instructional and related costs totaled 54% of these costs while student support was 10% and other expenses were 13%.

Table 3 - District's Expenses

	Governmental Activities			
	2009	Percent	2008	Percent
Instructional & related	\$ 1,085,781	54%	\$ 1,031,793	62%
Leadership	112,809	6%	111,449	7%
Student support	200,622	10%	171,133	10%
Administrative support	172,434	9%	160,192	10%
Nonstudent support	170,407	8%	116,013	7%
Other	271,721	13%	63,077	4%
Total Expenses	\$ 2,013,774	100%	\$ 1,653,657	100%

Governmental Activities

Table 4 presents the various revenue categories and gross costs of each of the District's functional areas for both the current and prior year. Following the table, we provide explanations for the significant or unusual fluctuations between the two years.

Table 4 - Changes in Net Assets

	Governmental Activities			
	2009	2008	\$ Change	% Change
Revenues:				
Program revenues:				
Charges for services	\$ 26,808	\$ 21,626	\$ 5,182	24%
Operating grants and contributions	162,248	152,463	9,785	6%
General revenues:				
Property taxes	1,454,984	1,095,151	359,833	33%
Grants and contributions not restricted	390,783	607,924	(217,141)	-36%
Investment earnings	37,105	51,037	(13,932)	-27%
Other	10,641	-	10,641	N/A
Total revenues	2,082,569	1,928,201	154,368	8%
Expenses:				
Instruction	1,059,724	1,005,099	54,625	5%
Instructional resources and media services	15,824	17,466	(1,642)	-9%
Curriculum and staff development	10,233	9,228	1,005	11%
School leadership	112,809	111,449	1,360	1%
Guidance, counseling, and evaluation services	26,966	25,750	1,216	5%
Health services	6,615	5,969	646	11%
Student (pupil) transportation	45,063	35,494	9,569	27%
Food services	75,387	64,608	10,779	17%
Cocurricular/extracurricular activities	46,591	39,312	7,279	19%
General administration	172,434	160,192	12,242	8%
Plant maintenance and operations	151,707	107,532	44,175	41%
Security and monitoring services	10,934	719	10,215	1421%
Data processing services	7,766	7,762	4	0%
Interest on long-term debt	1,453	1,529	(76)	-5%
Contracted instructional services between public schools	219,043	-	219,043	N/A
Payments related to shared service arrangements	25,358	35,508	(10,150)	-29%
Other intergovernmental charges	25,867	26,040	(173)	-1%
Total expenses	2,013,774	1,653,657	360,117	22%
Increase (decrease) in net assets	\$ 68,795	\$ 274,544	\$ (205,749)	-75%

- Property taxes increased \$359,833 or 33% from the prior year. The increase is due to a continued increase in property values in the District's tax jurisdiction.
- Grants and contributions not restricted decreased \$217,141 or 36% from the prior year. Most of the decrease relates to the state funding decrease to offset the gains in property taxes.
- Instruction increased \$54,625 or 5% from the prior year. The increase is mainly due to teacher pay raises and other expected annual increases in costs of instructional supplies.
- Plant maintenance and operations increased \$44,175 or 41% from the prior year. This increase is attributable to remodeling of some of the District's facilities and other normal maintenance expenses.
- Contracted instructional services between public schools increased \$219,043 from \$0 in the prior year. The increase is the direct result of the District becoming classified as a Chapter 41 district by

TEA and having to repay the amount above to TEA for wealth equalization among other Texas school districts.

Table 5 presents the net cost of the District's governmental functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars, state aid, and other miscellaneous general revenues.

Table 5 - Net Cost of Selected District Functions

	Governmental Activities			
	2009	Percent	2008	Percent
Instructional & related	\$ 984,237	54%	\$ 927,775	63%
Leadership	108,087	6%	106,903	7%
Student support	119,555	7%	106,900	7%
Administrative support	172,434	9%	160,192	11%
Nonstudent support	168,684	9%	114,721	8%
Other	271,721	15%	63,077	4%
Total Expenses	\$ 1,824,718	100%	\$ 1,479,568	100%

Financial Analysis of the District's Funds

As previously stated, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental Funds

The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved and undesignated fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of August 31, 2009, the District's governmental funds reported a combined ending fund balance of \$995,761, a decrease of \$40,078 from the previous year. Table 6 illustrates the fund balances of the governmental funds.

**Table 6 - Governmental Funds - Fund Balances
August 31, 2009**

	General Fund	Other Funds	Totals
Reserved for:			
Food service	-	5,347	5,347
Unreserved, designated	800,000	-	800,000
Unreserved, undesignated	291,867	-	291,867
Total Fund Balances	\$ 1,091,867	\$ 5,347	\$ 1,097,214

General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was \$1,091,867 of which \$291,867 was unreserved and undesignated. The total fund balance represents 55% of the total General Fund expenditures for the year ended August 31, 2009. The fund balance increased \$68,466 in the current fiscal year.

General Fund revenues totaled \$1,960,099, an increase of \$117,549 or 6% over the preceding year. Though the net change was not significant, some of the individual revenue categories had significant fluctuations as follows:

- Local revenues increased \$330,610 or 28%. This is mostly due to the increase in property tax revenues caused by increased property values in the District's tax jurisdiction.
- State revenues decreased \$213,061 or 32%. Most of the decrease resulted from decreased state funding due to the increase in property tax revenues noted above.

General Fund expenditures totaled \$1,997,484, an increase of \$464,631 or 30% over the preceding year. The functional categories that changed the most were as follows:

- Instruction increased \$72,206 or 8%. Most of the increase relates to state mandated step increases.
- Student (pupil) transportation increased \$161,935 or 472% as the District purchased two new school buses in 2008-09.
- Plant maintenance increased \$42,601 or 41% mostly due to renovation projects on some of the District's facilities and other maintenance projects.
- Contracted instructional services between public schools increased \$219,043 from \$0 in the prior year due to the District becoming classified as a Chapter 41 district by TEA and having to repay significant amounts of state funding back to the State for wealth equalization.

Other Governmental Funds

Other governmental funds consist of the various special revenue funds. The total ending fund balance for all special revenues combined was \$5,347, a decrease of \$7,091 from the previous year. All of the ending fund balance is in the National School Breakfast and Lunch Program.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget X times. Even with these adjustments, actual expenditures were \$191,015 below final budget amounts. The most significant favorable variances were in the areas of capital outlay (\$41,400) and contracted instructional services between public schools (\$32,957). The reason for these favorable budget variances is that planned expenditures were not necessary as previously thought or else were less than previously thought.

On the other hand, resources available were \$112,523 above the final budgeted amount with state program revenues coming in \$94,071 above budget due to actual attendance and other data on which state aid is calculated being higher than expected.

As noted, the original budget was amended throughout the year. Most budget line items in the original budget were not materially different than in the final adopted budget. The exceptions are state program revenues, student (pupil) transportation, principal on long-term debt, capital outlay, contracted instructional services between public schools, and other intergovernmental charges. The decrease in budget for state program revenues is the District's Chapter 41 status as discussed previously. The increase in budget for student (pupil) transportation was due to the purchase of two school buses. The reason for the decrease in budget for principal on long-term debt is that the District had no long-term debt to retire in the current year. The increase in budget for capital outlay was due to the need for renovation projects on some of the District's facilities. The increase in contracted instructional services between public schools was due to the District having to repay a significant portion of its state funding back to TEA for district wealth equalization.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2009, the District had invested in a broad range of capital assets totaling \$1,027,536, net of accumulated depreciation, including land, buildings, and furniture and equipment. See Table 7 below.

	2009	2008	\$ Change	% Change
Land	\$ 1,000	\$ 1,000	\$ -	0%
Buildings and improvements	715,966	724,983	(9,017)	-1%
Furniture and equipment	310,570	194,986	115,584	59%
Totals	\$ 1,027,536	\$ 920,969	\$ 106,567	12%

Capital assets, net of accumulated depreciation, increased \$106,567 or 2% from the previous year. Additional information about the District's capital assets is presented in the notes to the financial statements.

Long-term Debt

At August 31, 2009, the District had \$100,000 in notes payable outstanding as shown in Table 8 below.

Table 8 - Long-term Debt

	<u>2009</u>	<u>2008</u>	<u>\$ Change</u>	<u>% Change</u>
Notes Payable	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>N/A</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following indicators were taken into account when adopting the 2009-10 budget for the General Fund.

- Appraised value used for the 2009-10 budget preparation is up to \$XXX million from \$XXX million the prior year, an increase of XX%.
- General Fund spending per student will be approximately the same in the 2009-10 budget as in the 2008-09 fiscal year.
- The District's 2009-10 refined average daily attendance is expected to be XXX, the same as in 2008-09.

Amounts available for appropriation in the General Fund's budget are \$X,XXX,XXX, a decrease of X% below the final 2008-09 budget of \$1,847,576. The decrease resulted from

Expenditures in most budget categories are similar to the previous year, with the total expenditure budget for 2009-10 only decreasing X% below the final 2008-09 expenditure budget. This decrease resulted from

If these estimates are realized, the District's General Fund's fund balance will decrease by approximately \$XXX,XXX by August 31, 2010.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 Superintendent.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2009

Data Control Codes		1
		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 25,163
1120	Current Investments	1,433,349
1225	Property Taxes Receivable, Net	30,678
1240	Due from Other Governments	20,822
1250	Accrued Interest	300
1410	Deferred Expenditures	863
	Capital Assets:	
1510	Land	1,000
1520	Buildings and Improvements, Net	715,966
1530	Furniture and Equipment, Net	310,570
1000	Total Assets	<u>2,538,711</u>
LIABILITIES:		
2110	Accounts Payable	285
2140	Accrued Interest	1,453
2150	Payroll Deductions and Withholdings	(268)
2160	Accrued Wages Payable	44,675
2181	Due to Other Governments	54,985
2200	Accrued Expenses	1,134
2300	Unearned Revenues	282,472
	Noncurrent Liabilities:	
2501	Due within one year	50,000
2502	Due in more than one year	50,000
2000	Total Liabilities	<u>484,736</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	927,536
3850	Restricted for Food Service	5,347
3900	Unrestricted	1,121,092
3000	Total Net Assets	<u>\$ 2,053,975</u>

The accompanying notes are an integral part of this statement.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2009

		1	3	4	6
				Program Revenues	Net (Expense) Revenue and Changes in Net Assets
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Government Activities:				
11	Instruction	\$ 1,059,724	\$ --	\$ 100,953	\$ (958,771)
12	Instructional Resources and Media Services	15,824	--	591	(15,233)
13	Curriculum and Staff Development	10,233	--	--	(10,233)
23	School Leadership	112,809	--	4,722	(108,087)
31	Guidance, Counseling, & Evaluation Services	26,966	--	8,950	(18,016)
33	Health Services	6,615	--	--	(6,615)
34	Student (Pupil) Transportation	45,063	--	1,141	(43,922)
35	Food Services	75,387	22,806	42,904	(9,677)
36	Cocurricular/Extracurricular Activities	46,591	4,002	1,264	(41,325)
41	General Administration	172,434	--	--	(172,434)
51	Plant Maintenance and Operations	151,707	--	1,723	(149,984)
52	Security and Monitoring Services	10,934	--	--	(10,934)
53	Data Processing Services	7,766	--	--	(7,766)
72	Interest on Long-Term Debt	1,453	--	--	(1,453)
91	Contracted Instructional Services Between Public Schools	219,043	--	--	(219,043)
93	Payments Related to Shared Service Arrangements	25,358	--	--	(25,358)
99	Other Intergovernmental Charges	25,867	--	--	(25,867)
TG	Total Governmental Activities	\$ 2,013,774	\$ 26,808	\$ 162,248	(1,824,718)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				1,454,984
IE	Investment Earnings				37,105
GC	Grants and Contributions Not Restricted to Specific Programs				390,783
MI	Miscellaneous				10,641
TR	Total General Revenues				1,893,513
CN	Change in Net Assets				68,795
NB	Net Assets - Beginning				1,985,180
NE	Net Assets - Ending				\$ 2,053,975

The accompanying notes are an integral part of this statement.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2009

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 22,389	\$ 2,774	\$ 25,163
1120	Current Investments	1,433,349	--	1,433,349
1225	Taxes Receivable, Net	30,678	--	30,678
1240	Due from Other Governments	16,291	4,531	20,822
1250	Accrued Interest	300	--	300
1410	Deferred Expenditures	863	--	863
1000	Total Assets	\$ 1,503,870	\$ 7,305	\$ 1,511,175
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 285	\$ --	\$ 285
2150	Payroll Deductions & Withholdings	(268)	--	(268)
2160	Accrued Wages Payable	42,807	1,868	44,675
2180	Due to Other Governments	54,985	--	54,985
2200	Accrued Expenditures	1,044	90	1,134
2300	Unearned Revenue	313,150	--	313,150
2000	Total Liabilities	412,003	1,958	413,961
FUND BALANCES:				
Reserved Fund Balances:				
3450	Reserve for Food Service	--	5,347	5,347
Designated Fund Balance:				
3510	Construction	800,000	--	800,000
3600	Unreserved	291,867	--	291,867
3000	Total Fund Balances	1,091,867	5,347	1,097,214
4000	Total Liabilities and Fund Balances	\$ 1,503,870	\$ 7,305	\$ 1,511,175

The accompanying notes are an integral part of this statement.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 AUGUST 31, 2009

Data Control Codes			
1	Total fund balances - governmental funds balance sheet (Exhibit C-1)		\$ 1,097,214
	Amounts reported for governmental activities in the Statement of Net Assets (Exhibit A-1) are different because:		
	Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:		
2	Gross capital assets	\$ 1,676,276	
	Related accumulated depreciation	<u>648,740</u>	1,027,536
3	Property tax receivables are not available to pay for current period expenditures and therefore are deferred in the funds.		30,678
	Long-term liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
4	Loans payable	100,000	
	Accrued interest	<u>1,453</u>	<u>(101,453)</u>
19	Net assets of governmental activities - Statement of Net Assets (Exhibit A-1)		\$ <u>2,053,975</u>

The accompanying notes are an integral part of this statement.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

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

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 1,500,028	\$ 22,806	\$ 1,522,834
5800 State Program Revenues	460,071	13,256	473,327
5900 Federal Program Revenues	--	79,704	79,704
5020 Total Revenues	<u>1,960,099</u>	<u>115,766</u>	<u>2,075,865</u>
EXPENDITURES:			
Current:			
0011 Instruction	995,614	27,766	1,023,380
0012 Instructional Resources and Media Services	15,281	--	15,281
0013 Curriculum and Staff Development	9,882	--	9,882
0023 School Leadership	108,940	--	108,940
0031 Guidance, Counseling, & Evaluation Services	2,263	23,778	26,041
0033 Health Services	6,388	--	6,388
0034 Student Transportation	196,231	--	196,231
0035 Food Service	1,488	71,313	72,801
0036 Cocurricular/Extracurricular Activities	44,993	--	44,993
0041 General Administration	166,520	--	166,520
0051 Plant Maintenance and Operations	146,504	--	146,504
0052 Security and Monitoring Services	10,559	--	10,559
0053 Data Processing Services	7,500	--	7,500
0081 Capital Outlay	13,600	--	13,600
0091 Contracted Instructional Services			
0091 Between Public Schools	219,043	--	219,043
0093 Payments to Shared Service Arrangements	25,358	--	25,358
0099 Other Intergovernmental Charges	25,867	--	25,867
6030 Total Expenditures	<u>1,996,031</u>	<u>122,857</u>	<u>2,118,888</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(35,932)</u>	<u>(7,091)</u>	<u>(43,023)</u>
Other Financing Sources and (Uses):			
7912 Sale of Real or Personal Property	4,398	--	4,398
7914 Non-Current Loan Proceeds	100,000	--	100,000
7080 Total Other Financing Sources and (Uses)	<u>104,398</u>	<u>--</u>	<u>104,398</u>
1200 Net Change in Fund Balances	68,466	(7,091)	61,375
0100 Fund Balances - Beginning	1,023,401	12,438	1,035,839
3000 Fund Balances - Ending	\$ 1,091,867	\$ 5,347	\$ 1,097,214

The accompanying notes are an integral part of this statement.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED AUGUST 31, 2009*

Net change in fund balances - total governmental funds (Exhibit C-2) \$ 61,375

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 166,314	
Depreciation expense for the year	<u>59,747</u>	106,567

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The increase in accrued interest is as follows:

Accrued interest at August 31, 2008	--	
Accrued interest at August 31, 2009	<u>1,453</u>	(1,453)

Because property tax receivables will not be collected for several months after the District's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year. 2,306

Loan proceeds are other resources on the fund level but are additions to long-term debt at the the government-wide level. (100,000)

Change in net assets of governmental activities - Statement of Activities (Exhibit B-1) \$ 68,795

The accompanying notes are an integral part of this statement.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2009

Data Control Codes		Private-Purpose Trust Fund	Agency Fund
		Local Scholarship Fund	Student Activity
ASSETS:			
1110	Cash and Cash Equivalents	\$ 3,258	\$ 8,997
1000	Total Assets	3,258	8,997
LIABILITIES:			
Current Liabilities:			
2190	Due to Student Groups	--	8,997
2000	Total Liabilities	--	8,997
NET ASSETS			
3800	Held in Trust	3,258	--
3000	Total Net Assets	\$ 3,258	\$ --

The accompanying notes are an integral part of this statement.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

YEAR ENDED AUGUST 31, 2009

	Private-Purpose Trust Fund
	Local Scholarship Fund
Additions:	
Investment Income	\$ 9
Gifts and Bequests	2,503
Total Additions	<u>2,512</u>
Deductions:	
Scholarship Awards	950
Total Deductions	<u>950</u>
Change in Net Assets	1,562
Net Assets-Beginning of the Year	1,696
Net Assets-End of the Year	<u>\$ 3,258</u>

The accompanying notes are an integral part of this statement.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

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.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2009*

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District 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.

3. Financial Statement Amounts

a. Property Taxes

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

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

At August 31, 2009, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$	53,133
Allowance for uncollectible taxes		(22,455)
Net property taxes receivable	\$	<u>30,678</u>

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2009

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building improvements	20-50
Furniture and equipment	5-15

d. 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.

e. Interfund Activity

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

f. Use of Estimates

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

g. Data Control Codes

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

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2009

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 reported	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>
None reported	Not applicable	Not applicable

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, 2009, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,497,107 and the bank balance was \$1,458,512. The District's cash deposits at August 31, 2009 and during the year ended August 31, 2009, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2009

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

Investment or Investment Type	Weighted Maturity (Months)	Fair Value
Certificates of Deposit	3	\$ 1,433,349

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.

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.

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.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2009*

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,000	\$ --	\$ --	\$ 1,000
<i>Capital assets being depreciated:</i>				
Buildings and improvements	1,074,870	13,600	--	1,088,470
Equipment	136,275	--	--	136,275
Vehicles	356,065	152,714	58,248	450,531
Total capital assets being depreciated	1,567,210	166,314	58,248	1,675,276
Less accumulated depreciation for:				
Buildings and improvements	(349,887)	(22,617)	--	(372,504)
Equipment	(95,017)	(5,000)	--	(100,017)
Vehicles	(202,337)	(32,130)	(58,248)	(176,219)
Total accumulated depreciation	(647,241)	(59,747)	(58,248)	(648,740)
Total capital assets being depreciated, net	919,969	106,567	--	1,026,536
Governmental activities capital assets, net	\$ 920,969	\$ 106,567	\$ --	\$ 1,027,536

Depreciation was charged to functions as follows:

Instruction	\$ 36,344
Instructional Resources and Media Services	543
Curriculum and Staff Development	351
School Leadership	3,869
Guidance, Counseling, & Evaluation Services	925
Health Services	227
Student Transportation	1,546
Food Services	2,586
Extracurricular Activities	1,598
General Administration	5,914
Plant Maintenance and Operations	5,203
Security and Monitoring Services	375
Data Processing Services	266
	\$ 59,747

E. Long-Term Obligations

1. Long-Term Obligation Activity

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<i>Governmental activities:</i>					
Note Payable	\$ --	\$ 100,000	\$ --	\$ 100,000	\$ 50,000

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2009

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 50,000	\$ 2,570	\$ 52,570
2011	50,000	2,075	52,075
Totals	\$ 100,000	\$ 4,645	\$ 104,645

3. Notes Payable

The District issued long-term debt in the current year to finance the purchase of two school buses. The proceeds from the loan are shown in the fund level financial statements as Other Financing Sources and principal payments are shown as expenditures in the Principal on Long-Term Debt function:

The District's outstanding note payable at August 31, 2009 is as follows:

Legend Bank, Bowie, Texas, 4.15% loan for the purchase of school buses secured by \$100,000 certificate of deposit, payable from the General Fund, due April 2011, authorized by TEC 34.005. \$ 100,000

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2009, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

G. Pension Plan

1. Plan Description

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

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.58% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2009, 2008 and 2007 were \$59,535, \$56,334 and \$54,168, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2009, 2008 and 2007 were \$4,934, \$4,475 and \$2,966, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$69,288 for the year ended August 31, 2009.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2009

H. Retiree Health Care Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2009, 2008 and 2007. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2009, 2008, and 2007, the State's contributions to TRS-Care were \$9,302, \$8,802, and \$8,464, respectively, the active member contributions were \$6,046, \$5,721, and \$5,502, respectively, and the District's contributions were \$5,116, \$4,841, and \$4,655, respectively, which equaled the required contributions each year.

I. Commitments and Contingencies

1. Contingencies

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

2. Litigation

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

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

J. Shared Services Arrangements

Shared Services Arrangement - Membership

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

Member Districts

Nocona Independent School District

Bowie Independent School District

Saint Jo Independent School District

Forestburg Independent School District

Goldburg Independent School District

Montague Independent School District

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, Nocona Independent School District nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

K. Economic Dependency

Of the District's total October 1, 2008 property tax levy, one taxpayer's levy was \$429,999, or approximately 30% of the District's total levy. The District is economically dependent on the tax revenues generated from that taxpayer.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT G-1

Page 1 of 2

Data Control Codes	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	1	2	3		
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,458,276	\$ 1,481,576	\$ 1,500,028	\$ 18,452
5800	State Program Revenues	613,451	366,000	460,071	94,071
5020	Total Revenues	2,071,727	1,847,576	1,960,099	112,523
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	1,018,468	1,015,000	995,614	19,386
0012	Instructional Resources and Media Services	15,533	16,000	15,281	719
0013	Curriculum and Staff Development	9,600	12,000	9,882	2,118
	Total Instruction & Instr. Related Services	1,043,601	1,043,000	1,020,777	22,223
Instructional and School Leadership:					
0023	School Leadership	107,461	115,000	108,940	6,060
	Total Instructional & School Leadership	107,461	115,000	108,940	6,060
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	25,191	15,000	2,263	12,737
0033	Health Services	5,263	7,499	6,388	1,111
0034	Student (Pupil) Transportation	49,530	207,000	196,231	10,769
0035	Food Services	1,421	2,000	1,488	512
0036	Cocurricular/Extracurricular Activities	55,735	52,000	44,993	7,007
	Total Support Services - Student (Pupil)	137,140	283,499	251,363	32,136
Administrative Support Services:					
0041	General Administration	195,072	180,000	166,520	13,480
	Total Administrative Support Services	195,072	180,000	166,520	13,480
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	119,673	155,000	146,504	8,496
0052	Security and Monitoring Services	--	12,000	10,559	1,441
0053	Data Processing Services	7,500	10,000	7,500	2,500
	Total Support Services - Nonstudent Based	127,173	177,000	164,563	12,437
Debt Service:					
0071	Principal on Long-Term Debt	48,000	2,000	--	2,000
0072	Interest on Long-Term Debt	--	3,000	--	3,000
	Total Debt Service	48,000	5,000	--	5,000
Capital Outlay:					
0081	Capital Outlay	--	55,000	13,600	41,400
	Total Capital Outlay	--	55,000	13,600	41,400
Intergovernmental Charges:					
0091	Contracted Instr. Services Between Public Schools	--	252,000	219,043	32,957
0093	Payments to Fiscal Agent/Member Dist.-SSA	35,644	38,000	25,358	12,642
0099	Other Intergovernmental Charges	--	40,000	25,867	14,133
	Total Intergovernmental Charges	35,644	330,000	270,268	59,732
6030	Total Expenditures	1,694,091	2,188,499	1,996,031	192,468

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	377,636	(340,923)	(35,932)	304,991
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	--	4,398	4,398
7914	Non-Current Loan Proceeds	--	--	100,000	100,000
8911	Transfers Out	--	(32,722)	--	32,722
7080	Total Other Financing Sources and (Uses)	--	(32,722)	104,398	137,120
1200	Net Change in Fund Balance	377,636	(373,645)	68,466	442,111
0100	Fund Balance - Beginning	1,023,401	1,023,401	1,023,401	--
3000	Fund Balance - Ending	\$ 1,401,037	\$ 649,756	\$ 1,091,867	\$ 442,111

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2009*

Year Ended August 31	1		2		3
	Tax Rates				Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service			
2000 and Prior Years	\$ Various	\$ Various	\$	Various	
2001	1.46	--			37,838,285
2002	1.437	--			59,755,672
2003	1.50	--			52,422,087
2004	1.50	--			55,905,000
2005	1.50	--			56,977,800
2006	1.50	--			69,127,467
2007	1.37	--			93,975,693
2008	1.04	--			112,522,072
2009 (School Year Under Audit)	1.04	--			138,390,865
1000 Totals					

10 Beginning Balance 9/1/08	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/09
\$ 11,723	\$ --	\$ 1,876	\$ --	\$ (569)	\$ 9,278
2,153	--	360	--	(29)	1,764
2,669	--	383	--	(29)	2,257
2,796	--	490	--	(30)	2,276
2,734	--	494	--	(30)	2,210
4,579	--	2,226	--	(30)	2,323
4,944	--	2,292	--	--	2,652
8,293	--	2,927	--	--	5,366
12,965	--	7,225	--	(416)	5,324
--	1,439,265	1,418,648	--	(934)	19,683
\$ 52,856	\$ 1,439,265	\$ 1,436,921	\$ --	\$ (2,067)	\$ 53,133

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

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

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 63,616	\$ 32,474	\$ --	\$ --	\$ 96,090
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	1,458	--	--	--	--	--	1,458
6212	Audit Services	--	--	--	14,650	--	--	14,650
6213	Tax Appraisal and Collection	--	6,903	--	--	--	--	6,903
621X	Other Prof. Services	4,841	--	--	5,384	--	--	10,225
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	450	--	2,700	7,300	--	--	10,450
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	318	41	3,312	--	--	--	3,671
6410	Travel, Subsistence, Stipends	--	--	5,649	--	--	--	5,649
6420	Ins. and Bonding Costs	4,454	--	--	--	--	--	4,454
6430	Election Costs	--	--	--	--	--	--	--
6490	Miscellaneous Operating	3,450	--	3,059	6,461	--	--	12,970
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--
Total		\$ 14,971	\$ 6,944	\$ 78,336	\$ 66,269	\$ --	\$ --	\$ 166,520

Total expenditures for General and Special Revenue Funds (9) \$ 2,120,341

LESS: Deductions of Unallowable Costs

FISCAL YEAR			
Total Capital Outlay (6600)	(10)	\$	166,314
Total Debt & Lease (6500)	(11)		1,453
Plant Maintenance (Function 51, 6100-6400)	(12)		146,504
Food (Function 35, 6341 and 6499)	(13)		36,083
Stipends (6413)	(14)		--
Column 4 (above) - Total Indirect Cost			66,269

Subtotal 416,623

Net Allowed Direct Cost \$ 1,703,718

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$	1,088,470
Historical Cost of Buildings over 50 years old	(16)		--
Amount of Federal Money in Building Cost (Net of #16)	(17)		--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)		586,806
Historical Cost of Furniture & Equipment over 16 years old	(19)		--
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$	--

(8) Note A - No Function 53 expenditures and \$6,903 in Function 99 expenditures are included in this report on administrative costs.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2009

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2009 (Exhibit C-1 object 3000 for the General Fund only)	\$ 1,091,867
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)	800,000
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09 - 5/31/10)	200,000
6	Estimate of delayed payments from state sources (58XX) including August payment delays	--
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
8	Estimate of delayed payments from federal sources (59XX)	--
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	1,000,000
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ 91,867

If Item 11 is a Positive Number

Explanation of need for and/or projected use of net positive

Undesignated Unreserved General Fund Fund Balance:

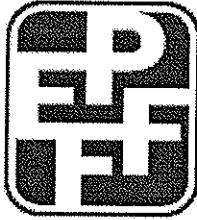
The District does not consider a reserve of one month's cash disbursements to be adequate.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

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

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 17,000	\$ 22,500	\$ 22,806	\$ 306
5800	State Program Revenues	450	477	477	--
5900	Federal Program Revenues	32,000	40,200	40,939	739
5020	Total Revenues	49,450	63,177	64,222	1,045
EXPENDITURES:					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	66,061	79,814	71,313	8,501
	Total Support Services - Student (Pupil)	66,061	79,814	71,313	8,501
6030	Total Expenditures	66,061	79,814	71,313	8,501
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(16,611)	(16,637)	(7,091)	9,546
Other Financing Sources (Uses):					
7915	Transfers In	16,611	16,611	--	(16,611)
7080	Total Other Financing Sources and (Uses)	16,611	16,611	--	(16,611)
1200	Net Change in Fund Balance	--	(26)	(7,091)	(7,065)
0100	Fund Balance - Beginning	12,438	12,438	12,438	--
3000	Fund Balance - Ending	\$ 12,438	\$ 12,412	\$ 5,347	\$ (7,065)



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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J. MARK FLEMING, CPA

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
Prairie Valley Independent School District
12920 FM 103
Nocona, Texas 76255

Members of the Board of Trustees:

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

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Prairie Valley Independent School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Prairie Valley Independent School District's financial statements that is more than inconsequential will not be prevented by the Prairie Valley Independent School District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Prairie Valley Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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,

Edgin, Parkman, Fleming & Fleming, PC

November xx, 2009

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2009

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

A Single Audit was not required for the year ended August 31, 2009.

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

A Single Audit was not required for the year ended August 31, 2009.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2009*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p><u>Finding 2008-01 - Segregation of Duties</u> The District had a lack of segregation of duties in the administrative office due to the small number of staff and did not have controls in place to mitigate that risk.</p> <p>The District was to segregate duties where possible and implement other mitigating controls.</p>	Implemented	
<p><u>Finding 2008-02 - Unsecured Deposits</u> The District had deposits in financial institutions that were not fully secured by FDIC insurance and pledged securities for an eleven day period.</p> <p>The District was to implement procedures with its depository institution to ensure that deposits are fully insured and collateralized at all times.</p>	Implemented	

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2009

There were no current year findings.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2009

Data Control Codes		Responses
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?	\$ --