

VAN VLECK  
INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2016*



Van Vleck Independent School District

Van Vleck Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2016

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*Introductory Section*



Van Vleck Independent School District

CERTIFICATE OF BOARD

Van Vleck Independent School District  
Name of School District

Matagorda  
County

158-906  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the 23 day of JANUARY, 2017.

  
Signature of Board Secretary

  
Signature of Board President

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



Van Vleck Independent School District



*Financial Section*



Van Vleck Independent School District

# *Reed & Associates, PC*

*Certified Public Accountants*  
2300 Avenue I  
Bay City, Texas 77414  
(979) 245-7361 ~ *auditors@swbell.net*

## **Independent Auditor's Report**

To the Board of Trustees  
Van Vleck Independent School District  
142 S Fourth Street  
Van Vleck, Texas 77482

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Van Vleck Independent School District ("the District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Van Vleck Independent School District as of August 31, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Van Vleck Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016 on our consideration of Van Vleck Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Van Vleck Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

**Reed and Associates,  
PC**

Reed & Associates, PC  
Bay City, Texas  
December 29, 2016

Digitally signed by Reed and Associates, PC  
DN: cn=Reed and Associates, PC, o, ou,  
email=auditors@swbell.net, c=US  
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**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
AUGUST 31, 2016

This discussion and analysis of the Van Vleck Independent School District's financial statements provides a narrative overview of the District's financial activities for the fiscal year ended August 31, 2016. The information presented here should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

**Overview of the Financial Statements**

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Van Vleck Independent School District's finances in a manner similar to private sector business. They present the financial picture of the District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

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

The *statement of activities* presents information showing how the district's net position changed during the most recent fiscal year using full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Van Vleck Independent School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *current sources and uses of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Such information may be useful in evaluating a district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the district. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2016**

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

**District-wide Financial Analysis**

The District's net position at August 31, 2016 and 2015 are summarized as follows:

	Governmental Activities		
	<u>8/31/2016</u>	<u>8/31/2015</u>	<u>Variance</u>
Current and other assets	\$ 2,561,919	\$ 2,427,024	\$ 134,895
Capital assets	<u>3,575,652</u>	<u>3,731,257</u>	<u>(155,605)</u>
Total assets	<u>6,137,571</u>	<u>6,158,281</u>	<u>(20,710)</u>
Deferred outflow of resources	<u>1,021,227</u>	<u>173,007</u>	<u>848,220</u>
Other liabilities	492,433	344,663	147,770
Long-term liabilities outstanding	<u>2,435,948</u>	<u>1,488,270</u>	<u>947,678</u>
Total liabilities	<u>2,928,381</u>	<u>1,832,933</u>	<u>1,095,448</u>
Deferred inflow of resources	<u>151,691</u>	<u>296,504</u>	<u>(144,813)</u>
Net position:			
Net Investment in capital assets	3,178,191	3,212,263	(34,072)
Restricted	37,847	24,852	12,995
Unrestricted	<u>862,688</u>	<u>964,736</u>	<u>(102,048)</u>
Total net position	<u>\$ 4,078,726</u>	<u>\$ 4,201,851</u>	<u>\$ (123,125)</u>

Net position may serve over time as a useful indicator of a district's financial position. In the case of Van Vleck Independent School District, assets exceeded liabilities by \$4,078,726 at the close of the most recent fiscal year, August 31, 2016.

Current assets increased slightly at \$134,895 while capital assets decreased \$155,605 as a result of recognized depreciation expense of \$324,065 exceeding capital additions of \$168,460. Prior year deferred outflow of resources and noncurrent liabilities increased \$848,220 and \$1,069,211 respectively and deferred inflows of resources decreased \$144,813 to include the effects of GASB 68 "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27". Other liabilities increased primarily due to increase in accrued wages payable. Noncurrent liabilities decreased \$121,533 due to scheduled debt payments as discussed further below.

A large portion of the District's net position (78 percent) reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services to students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2016**

An additional portion of the District's net position (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (21 percent) may be used to meet the District's ongoing obligations to educate the school-age children of Van Vleck.

The District's governmental activities as of August 31, 2016 and 2015 are summarized as follows:

	Governmental Activities		
	8/31/2016	8/31/2015	Variance
Revenues:			
Program Revenues:			
Charges for services	\$ 380,759	\$ 343,283	\$ 37,476
Operating grants & contributions	1,438,495	1,188,822	249,673
General Revenues:			
Property taxes	7,254,086	6,245,355	1,008,731
Investment earnings	11,351	6,214	5,137
Grants & contributions not restricted for specific purpose	2,970,108	3,007,844	(37,736)
Miscellaneous	195,788	229,649	(33,861)
Total revenues	<u>12,250,587</u>	<u>11,021,167</u>	<u>1,229,420</u>
Expenses:			
Instruction	6,293,050	5,588,886	704,164
Instructional resources and media	107,023	106,841	182
Curriculum and staff development	73,448	51,322	22,126
Instructional leadership	127,398	113,180	14,218
School leadership	720,741	661,054	59,687
Guidance and counseling	247,696	233,025	14,671
Health services	105,813	102,438	3,375
Student transportation	369,559	434,364	(64,805)
Food service	720,600	659,664	60,936
Extracurricular activities	686,197	593,435	92,762
General administration	612,693	546,609	66,084
Plant maintenance and operations	1,651,310	1,365,648	285,662
Security and monitoring services	70,196	49,981	20,215
Data processing services	263,453	227,913	35,540
Community services	6,300	0	6,300
Interest on long-term debt	19,737	27,665	(7,928)
Shared Service Payments	191,946	207,912	(15,966)
Other Intergovernmental Charge:	106,551	78,035	28,516
Total expenses	<u>12,373,711</u>	<u>11,047,972</u>	<u>1,325,739</u>
Increase in net position	(123,124)	(26,805)	(96,319)
Net position, beginning	4,201,850	4,228,656	(26,806)
Net position ending	<u>\$ 4,078,726</u>	<u>\$ 4,201,851</u>	<u>\$ (123,125)</u>

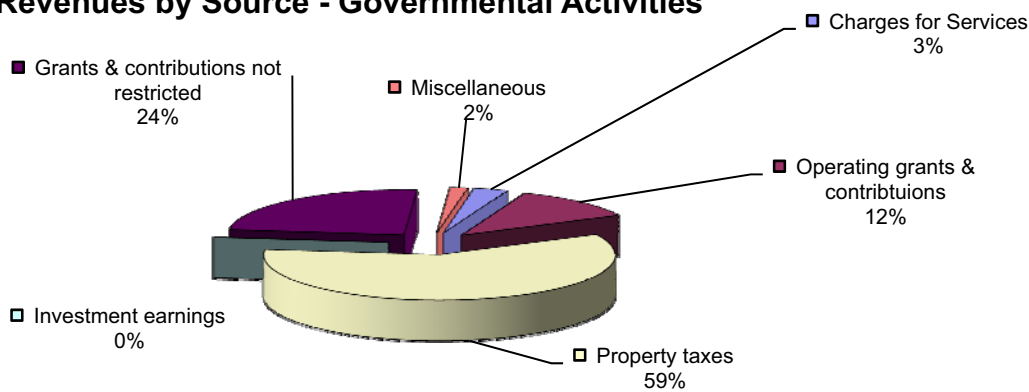
**Governmental activities.** Governmental activities decreased the District's net position \$123,124 compared to the prior year decrease of \$26,805. Overall, revenue increased \$1,229,420 and expenditures increased \$1,325,739.

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2016**

Key elements comparing current to prior year are as follows:

- Operating grants increased over \$230,000 in recognition of the District’s proportionate share of TRS On-behalf payments as required by GASB 68 “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27”
- Property taxes have increased due to an increase in values of over \$90m and an increase in the tax rate from \$.9884 to \$1.0341.
- Overall, instructional salaries and benefits increased over \$700,000 due to filling of numerous vacancies from the prior year as well as increased GASB 68 costs as noted above.
- Overall, maintenance salaries and benefits increased over \$80,000 in custodial staff; Increase in professional fees to include a consulting service for lowering telephone bills and roof repairs.

**Revenues by Source - Governmental Activities**



**Financial Analysis of the District’s Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the District’s strong fiscal management and accountability.

**Governmental funds.** The general government functions are reported in the General and Special Revenue Funds. The focus of the District’s *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the District’s financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the District’s governmental funds reported combined ending fund balances of \$1,834,944, an increase of \$245,183 over the prior year fund balance. \$1,608,045 of this total constitutes unassigned fund balance, while \$152,924 represents non-spendable prepaid expenditures, \$37,847 is restricted by outside sources and \$36,128 has been committed by the Board of Directors for campus activities.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,608,045. As a measure of the general fund’s liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unassigned fund balance represents 15 percent of general fund current expenditures.

The fund balance of the general fund increased \$230,331 compared to the prior year decrease of \$32,688. Revenue increased \$1,344,433 and expenditures increased \$1,115,766. Key elements comparing current year to prior year are the same as those noted above under the district-wide analysis.



**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2016**

**General Fund Budgetary Highlights.** The Board of Trustees approved budget amendments throughout the increasing appropriations \$917,990. The most significant amendments were \$386,000 in instructional services, \$103,000 in extracurricular activities and \$351,000 in plant maintenance.

Actual Revenue exceeded estimates by \$50,105 while actual expenditures were under appropriations by \$156,306.

**Debt Administration**

Debt administration events during the current fiscal year included scheduled principal payments of \$121,533 on the capital lease agreement to retrofit the District facilities and a net increase in the pension liability of \$1,069,211 due to implementation of GASB 68 mentioned earlier.

**Capital Assets**

Capital asset events during the current fiscal year included the recognition of \$324,065 in depreciation expense and the purchase of two vehicles, 2 RTV's, new batting cages, new A/C in cafeteria and a new teaching system. As noted in the table below, the original cost of aging facilities and equipment has declined 68%.

	Governmental Activities		Variance
	8/31/2016	8/31/2015	
Land	\$ 423,398	\$ 423,398	\$ -
Buildings & Improvements	8,708,574	8,656,274	52,300
Equipment	940,490	892,774	47,716
Vehicles	1,376,960	1,308,516	68,444
Totals	11,449,422	11,280,962	168,460
Less accumulated depreciation	(7,873,770)	(7,549,705)	(324,065)
	<u>\$ 3,575,652</u>	<u>\$ 3,731,257</u>	<u>\$ (155,605)</u>

**Economic Factors and Next Year's Budgets and Rates**

The annual budget is developed to provide efficient, effective and controlled use of the District's resources. The 2016-2017 budget is tight due to a decrease in ADA along with a reduction in state funds due to a change in the funding formula. Factors affecting the 2017 budget were as follows:

- The 2017 budget is based on the tax rate of \$1.0140.
- Certified Appraised values for budget preparation were \$937,273,258, an increase from 2015 values of \$711,094,253.
- The District is in the 3<sup>rd</sup> year of a Chapter 313 School Value Limitation Agreement with Tenaris USA. Tenaris USA will be taxed at full taxable value.
- Due to the aging of the facilities it is anticipated a rise in maintenance costs
- In order to ensure the recruitment and retention of quality staff, included in the 2016-2017 budget is a 3% salary increase for all employees.

**Request for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Van Vleck Independent School District, Attention: Superintendent, 142 S Fourth Street, Van Vleck, Tx 77482 or call 979-245-8518.



Van Vleck Independent School District

*Basic Financial Statements*



Van Vleck Independent School District

## VAN VLECK INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF NET POSITION

AUGUST 31, 2016

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,716,942
1120	<i>Current Investments</i>	14,423
1225	<i>Property Taxes Receivable (Net)</i>	236,644
1240	<i>Due from Other Governments</i>	425,788
1300	<i>Inventories</i>	15,198
1410	<i>Unrealized Expenses</i>	152,924
Capital Assets:		
1510	<i>Land</i>	423,398
1520	<i>Buildings and Improvements, Net</i>	2,682,349
1530	<i>Furniture and Equipment, Net</i>	469,905
1000	Total Assets	<u>6,137,571</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
1705	<i>Deferred Outflow Related to Pensions</i>	1,021,227
1700	Total Deferred Outflows of Resources	<u>1,021,227</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	8,552
2140	<i>Interest Payable</i>	2,101
2165	<i>Accrued Liabilities</i>	473,061
2300	<i>Unearned Revenue</i>	8,719
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	126,853
2502	<i>Due in More Than One Year</i>	270,608
2540	<i>Net Pension Liability</i>	2,038,487
2000	Total Liabilities	<u>2,928,381</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
2605	<i>Deferred Inflow Related to Pensions</i>	151,691
2600	Total Deferred Inflows of Resources	<u>151,691</u>
<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets	3,178,191
Restricted For:		
3820	State and Federal Programs	1,851
Other Purposes		
3890	Expendable	21,996
3890	Nonexpendable	14,000
3900	Unrestricted	862,688
3000	Total Net Position	<u>\$ 4,078,726</u>

The accompanying notes are an integral part of this statement.

## VAN VLECK INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 6,293,050	\$ 19,321	\$ 753,424	\$ (5,520,305)	
12	<i>Instructional Resources and Media Services</i>	107,023	12,630	5,247	(89,146)	
13	<i>Curriculum and Staff Development</i>	73,448	--	12,263	(61,185)	
21	<i>Instructional Leadership</i>	127,398	--	11,165	(116,233)	
23	<i>School Leadership</i>	720,741	14,466	51,893	(654,382)	
31	<i>Guidance, Counseling, &amp; Evaluation Services</i>	247,696	58	16,552	(231,086)	
33	<i>Health Services</i>	105,813	152	8,425	(97,236)	
34	<i>Student Transportation</i>	369,559	65	24,185	(345,309)	
35	<i>Food Service</i>	720,600	265,565	429,077	(25,958)	
36	<i>Cocurricular/Extracurricular Activities</i>	686,197	61,092	36,021	(589,084)	
41	<i>General Administration</i>	612,693	3,201	33,556	(575,936)	
51	<i>Facilities Maintenance and Operations</i>	1,651,310	4,209	40,485	(1,606,616)	
52	<i>Security and Monitoring Services</i>	70,196	--	1,138	(69,058)	
53	<i>Data Processing Services</i>	263,453	--	15,064	(248,389)	
61	<i>Community Services</i>	6,300	--	--	(6,300)	
72	<i>Interest on Long-term Debt</i>	19,737	--	--	(19,737)	
93	<i>Payments Related to Shared Services Arrangements</i>	191,946	--	--	(191,946)	
99	<i>Other Intergovernmental Charges</i>	106,551	--	--	(106,551)	
TG	Total Governmental Activities	<u>12,373,711</u>	<u>380,759</u>	<u>1,438,495</u>	<u>(10,554,457)</u>	
TP	Total Primary Government	<u>\$ 12,373,711</u>	<u>\$ 380,759</u>	<u>\$ 1,438,495</u>	<u>(10,554,457)</u>	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				7,254,086	
IE	<i>Investment Earnings</i>				11,351	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				2,970,108	
MI	<i>Miscellaneous</i>				195,788	
TR	Total General Revenues				<u>10,431,333</u>	
CN	Change in Net Position				(123,124)	
NB	Net Position - Beginning				4,201,850	
NE	Net Position - Ending				<u>\$ 4,078,726</u>	

The accompanying notes are an integral part of this statement.

## VAN VLECK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 1,653,623	\$ 63,319	\$ 1,716,942
1120	Current Investments	--	14,423	14,423
1225	Taxes Receivable, Net	236,644	--	236,644
1240	Due from Other Governments	384,489	41,299	425,788
1260	Due from Other Funds	17,552	--	17,552
1300	Inventories	--	15,198	15,198
1410	Unrealized Expenditures	152,924	--	152,924
1000	Total Assets	<u>2,445,232</u>	<u>134,239</u>	<u>2,579,471</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 8,552	\$ --	\$ 8,552
2150	Payroll Deductions & Withholdings	15,739	2,260	17,999
2160	Accrued Wages Payable	386,795	31,734	418,529
2170	Due to Other Funds	--	17,551	17,551
2200	Accrued Expenditures	36,533	--	36,533
2300	Unearned Revenue	--	8,719	8,719
2000	Total Liabilities	<u>447,619</u>	<u>60,264</u>	<u>507,883</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
	Unavailable Revenue - Property Taxes	236,644	--	236,644
2600	Total Deferred Inflows of Resources	<u>236,644</u>	<u>--</u>	<u>236,644</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3430	Prepaid Items	152,924	--	152,924
Restricted Fund Balances:				
3490	Other Restrictions of Fund Balance	--	37,847	37,847
Committed Fund Balances:				
3545	Other Committed Fund Balance	--	36,128	36,128
3600	Unassigned	1,608,045	--	1,608,045
3000	Total Fund Balances	<u>1,760,969</u>	<u>73,975</u>	<u>1,834,944</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 2,445,232</u>	<u>\$ 134,239</u>	<u>\$ 2,579,471</u>

The accompanying notes are an integral part of this statement.

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 AUGUST 31, 2016*

Total fund balances - governmental funds balance sheet	\$ 1,834,944
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	3,575,652
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	236,643
Payables for capital leases which are not due in the current period are not reported in the funds.	(397,461)
Payables for capital lease interest which are not due in the current period are not reported in the funds.	(2,101)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,038,487)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(151,691)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>1,021,227</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 4,078,726</u>

The accompanying notes are an integral part of this statement.



**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 7,758,754	\$ 382,822	\$ 8,141,576
5800 State Program Revenues	3,313,207	68,377	3,381,584
5900 Federal Program Revenues	97,297	680,223	777,520
5020 Total Revenues	<u>11,169,258</u>	<u>1,131,422</u>	<u>12,300,680</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	5,643,687	347,507	5,991,194
0012 Instructional Resources and Media Services	89,187	12,308	101,495
0013 Curriculum and Staff Development	59,639	12,260	71,899
0021 Instructional Leadership	115,754	4,061	119,815
0023 School Leadership	658,321	14,992	673,313
0031 Guidance, Counseling, & Evaluation Services	230,966	55	231,021
0033 Health Services	124,909	147	125,056
0034 Student Transportation	413,244	1,259	414,503
0035 Food Service	18,312	683,744	702,056
0036 Cocurricular/Extracurricular Activities	618,476	35,610	654,086
0041 General Administration	574,154	3,470	577,624
0051 Facilities Maintenance and Operations	1,618,860	10,634	1,629,494
0052 Security and Monitoring Services	67,944	360	68,304
0053 Data Processing Services	248,898	--	248,898
0061 Community Services	6,300	--	6,300
Debt:			
0071 Principal on Long-term Debt	121,533	--	121,533
0072 Interest on Long-term Debt	20,409	--	20,409
Intergovernmental Charges:			
0093 Payments to Shared Service Arrangements	191,946	--	191,946
0099 Other Intergovernmental Charges	106,551	--	106,551
6030 Total Expenditures	<u>10,929,090</u>	<u>1,126,407</u>	<u>12,055,497</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>240,168</u>	<u>5,015</u>	<u>245,183</u>
Other Financing Sources and (Uses):			
7915 Transfers In	--	9,837	9,837
8911 Transfers Out	(9,837)	--	(9,837)
7080 Total Other Financing Sources and (Uses)	<u>(9,837)</u>	<u>9,837</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>230,331</u>	<u>14,852</u>	<u>245,183</u>
0100 Fund Balances - Beginning	1,530,638	59,123	1,589,761
3000 Fund Balances - Ending	<u>\$ 1,760,969</u>	<u>\$ 73,975</u>	<u>\$ 1,834,944</u>

The accompanying notes are an integral part of this statement.

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2016*

Net change in fund balances - total governmental funds	\$ 245,183
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	168,460
The depreciation of capital assets used in governmental activities is not reported in the funds.	(324,065)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(258,729)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	121,533
(Increase) decrease in accrued interest from beginning of period to end of period.	672
Pension contributions made after the measurement date but in current FY were de-expended and reduced NP	170,758
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	60,977
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(307,913)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (123,124)</u>

The accompanying notes are an integral part of this statement.

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

AUGUST 31, 2016

Data Control Codes	Private-purpose Trust Fund	Agency Fund
<u>ASSETS:</u>	<u>Scholarship Fund</u>	<u>Student Activity</u>
1110 <i>Cash and Cash Equivalents</i>	\$ 3,700	\$ 70,317
1000 Total Assets	<u>3,700</u>	<u>70,317</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
2190 <i>Due to Student Groups</i>	\$ --	\$ 70,317
2000 Total Liabilities	<u>--</u>	<u>70,317</u>
<u>NET POSITION:</u>		
3800 <i>Held in Trust</i>	3,700	--
3000 Total Net Position	<u>\$ 3,700</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2016

	Private- Purpose Trusts
<b>Additions:</b>	
Gifts & Bequests	\$ 900
Total Additions	<u>900</u>
<b>Deductions:</b>	
Scholarship Awards	<u>2,000</u>
Total Deductions	<u>2,000</u>
<b>Change in Net Position</b>	(1,100)
Net Position-Beginning of the Year	4,800
Net Position-End of the Year	<u>\$ 3,700</u>

The accompanying notes are an integral part of this statement.

# **VAN VLECK INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2016*

### A. Summary of Significant Accounting Policies

#### **Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. All fiduciary activities are reported only in the fund financial statements.

#### **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.

#### **Basis of Presentation – Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### **Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category governmental and fiduciary are presented. 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **The District reports the following major governmental funds**

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

#### Additionally, the District reports the following fund types:

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

**Private-Purpose Trust Funds:** These funds are used to report trust arrangements for scholarships 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.

# **VAN VLECK INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2016*

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The private purpose trust fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

### **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, food service fund and debt service fund. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

The appropriated budget is prepared at the fund and function level. The department heads may make transfers of appropriations within a function; however, transfers of appropriations between functions require the approval of the Board of Trustees. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

### **Assets, Liabilities, Deferred Outflows/inflows of Resources, and Net Position/fund Balance**

#### Cash and cash equivalents:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

#### Investments:

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in Government Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

#### Inventories and Prepaid Items:

Inventories of purchased food and supplies on the balance sheet are stated at average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

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

#### Capital assets:

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-50
Building Improvements	20-30
Vehicles	2-15
Equipment	3-15
Equipment	5-10

## **VAN VLECK INDEPENDENT SCHOOL DISTRICT**

### *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2016*

#### Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has one item that qualifies for reporting in this category. The deferred outflows of resources calculated in the actuarial pension study required by GASB 68 and the current year pension payments are reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The item "unavailable" revenue is reported in the governmental funds balance sheet. The "unavailable" source represents the uncollected delinquent taxes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available for governmental funds. The deferred inflows of resources calculated in the actuarial pension study required by GASB 68 are reported in the government-wide statement of net position.

#### Net position flow assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

#### Fund balance flow assumptions:

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### Fund balance policies:

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Trustees has not delegated the authority to assign fund balance. When it is appropriate to assign fund balance this is accomplished in the same manner as committed funds that is through the adoption of a resolution. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.



# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

### Revenues and Expenditures/expenses

#### Program revenues:

Amounts reported as program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

#### Property taxes:

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General 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.

#### Compensated absences:

Vacation days shall be used during the year in which they are earned and shall not accumulate. Unused vacation days shall not be reimbursed upon the employee's resignation, retirement or any other termination of employment.

Employees earn five days per year of state personal leave, with no limit on accumulation and no restrictions on transfer among districts. Employees earn five local leave days per school year in accordance with administrative regulations with no limit on accumulation. Unused sick leave days shall not be reimbursed upon the employee's resignation, retirement or any other termination of employment.

#### Data control codes:

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

### B. Deposits and Investments

#### **Cash Deposits**

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$392,910 and the bank balance was \$470,839. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

### Investments

All investments made by the District shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules or regulations. The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper. The State Treasurer's Investment Pool (Pool) has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

As of August 31, 2016 the District had the following investments:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u>
First Public, included in cash	N/A	Aaa	\$ 1,410,854
Certificate of Deposit	12/29/16	N/A	14,423
Total Investments			<u>\$ 1,425,277</u>

### C. Disaggregated Receivables

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

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Real Property Taxes	\$ 904,482	\$ --	\$ 904,482
Less allowance on taxes	(667,838)	--	(667,838)
	<u>\$ 236,644</u>	<u>\$ --</u>	<u>\$ 236,644</u>
Due from Other Governments:			
TEA	\$ 384,489	\$ 31,399	\$ 415,888
Other Governments	--	9,900	9,900
	<u>\$ 384,489</u>	<u>\$ 41,299</u>	<u>\$ 425,788</u>

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

### D. Capital Assets

Capital asset activity for the year ended August 31, 2016, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 423,398	\$ --	\$ --	\$ 423,398
Total capital assets not being depreciated	<u>423,398</u>	<u>--</u>	<u>--</u>	<u>423,398</u>

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

### Capital assets being depreciated:

Buildings and improvements	8,656,274	52,300	--	8,708,574
Equipment	1,308,516	68,444	--	1,376,960
Vehicles	892,774	47,716	--	940,490
Total capital assets being depreciated	<u>10,857,564</u>	<u>168,460</u>	<u>--</u>	<u>11,026,024</u>

### Less accumulated depreciation for:

Buildings and improvements	(5,770,957)	(255,269)	--	(6,026,226)
Equipment	(959,320)	(51,613)	--	(1,010,933)
Vehicles	(819,428)	(17,183)	--	(836,611)
Total accumulated depreciation	<u>(7,549,705)</u>	<u>(324,065)</u>	<u>--</u>	<u>(7,873,770)</u>
Total capital assets being depreciated, net	<u>3,307,859</u>	<u>(155,605)</u>	<u>--</u>	<u>3,152,254</u>
Governmental activities capital assets, net	\$ <u>3,731,257</u>	\$ <u>(155,605)</u>	\$ <u>--</u>	\$ <u>3,575,652</u>

Depreciation expense of \$324,065 was charged to functions as follows:

Instruction	\$ 168,725
Instructional Resources and Media Services	3,225
Curriculum and Staff Development	1,549
Instructional Leadership	3,417
School Leadership	19,957
Guidance, Counseling, & Evaluation Services	7,035
Health Services	3,093
Student Transportation	13,113
Food Services	19,915
Extracurricular Activities	17,916
General Administration	16,502
Plant Maintenance and Operations	41,228
Security and Monitoring Services	1,509
Data Processing Services	6,881
	<u>\$ 324,065</u>

## E. Retiree Health Care Plan

### 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 Care 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 Teacher Retirement System of Texas 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](http://www.trs.state.tx.us) under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

### 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. Funding for free basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for the last three fiscal years.

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

Contribution Rates and Contribution Amounts							
Year	Member		Rate	State Amount	Federal Amount	District	
	Rate	Amount				Rate	Amount
2016	0.650%	42,927	1.000%	63,076	2,965	0.550%	36,323
2015	0.650%	39,982	1.000%	58,610	2,901	0.550%	33,831
2014	0.650%	40,775	1.000%	59,962	2,769	0.550%	34,502

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, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$19,268, \$17,806, and \$17,020, respectively.

### F. Pension Plan

#### **Plan Description**

The District participates in a cost sharing multiple employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit Terms. All employees of public, state- supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

#### **Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary Information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 76003.

Pensions - the fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the plan description above.

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

### Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2015 Employer Contributions	\$	187,866
2015 Member Contributions	\$	475,498
2015 NECE On-behalf Contributions	\$	325,255

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

During a new member's first 90 days of employment.

When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

### Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Market Value
Single Discount Rate	8.00%
Long-term expected Invest Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

### Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Direction Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	--	1.8%	--
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	--

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

Real Return			
Global Inflat. Linked Bonds	3%	0.9%	--
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	--	1.2%	--
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	--		2.2%
Alpha	--		1.0%
Total	<u>100%</u>	<u>8.70%</u>	

\* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

### Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Current Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 3,193,925	\$ 2,038,487	\$ 1,076,079

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At August 31, 2016, the District reported a liability of \$2,038,487 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,038,487
State's proportionate share that is associated with the District	3,881,720
Total	<u>\$ 5,920,207</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .0057668% which was an increase (decrease) of .0021381% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

#### Economic Assumptions

- 1 The inflation assumption was decreased from 3.00% to 2.50%.
- 2 The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- 3 In accordance with the observed experience, there were small adjustments in the service based promotional/longevity component of the salary scale.
- 4 The payroll growth assumption was lowered from 3.50% to 2.50%.

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

### Mortality Assumptions

- 5 The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- 6 The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- 7 The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

### Other Demographic Assumptions

- 8 Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- 9 There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- 10 Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- 11 Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- 12 For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

### Actuarial Methods and Policies

- 13 The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2016, the District recognized pension expense of \$553,083 and revenue of \$553,083 for support provided by the State.

At August 31, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,467	\$ 78,341
Changes in actuarial assumptions	52,398	72,724
Difference between projected and actual investment earnings	279,847	--
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	488,649	626
Contributions paid to TRS subsequent to the measurement date	187,866	--
Total	<u>\$ 1,021,227</u>	<u>\$ 151,691</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:



# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

Year ended August 31:	Pension Exp Amount
2017	\$ 121,650
2018	121,650
2019	121,652
2020	195,715
2021	69,429
Thereafter	51,575

### G. Risk Management

#### Self-Insured Workers Compensation

During the year ended August 31, 2016, the District met its statutory workers' compensation obligations through participation in a workers compensation pool administered by Claims Administrative Services, Inc. All members participating in the fund execute interlocal agreements that define the responsibilities of the parties. The estimated liability will not exceed the District's loss fund and the District is not responsible for claims and claims allocation expense beyond its individual loss fund. The amounts for IBNR are projected estimates, based on the experience history of the association. Claims activity as of August 31, 2016 and the prior two years are as follows:

	8/31/16	8/31/15	8/31/14
Unpaid claims, beginning	\$ 46,515	\$ 54,226	\$ 35,948
Incurred claims	11,908	15,770	31,572
Change in IBNR	(15,642)	(17,308)	(2,352)
Paid claims	(6,248)	(6,173)	(10,942)
Unpaid claims, ending	\$ 36,533	\$ 46,515	\$ 54,226

#### Property Casualty

During the year ended August 31, 2016, Van Vleck ISD met its statutory property casualty obligations through participation in the Property Casualty and Coastal Property Alliance of Texas (the Fund). The Fund was created pursuant to the provisions of the Interlocal Cooperation Act, Chapter 791, Title 7 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides property and casualty coverage and services to its members. The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any covered claim in excess of the Fund's self-insured retentions. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. For the year ended February 28, 2016, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on the last day of February. The audit is approved by the Fund's Board of Trustees by July of the same year. The Fund's audited financial statement as of February 28, 2016 are available for inspection at the Property Casualty Alliance of Texas office.

#### Unemployment Compensation Pool

During the year ended August 31, 2016, Van Vleck ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for unemployment compensation pool members. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

### H. Employee Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$325 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2015, and terms of coverage and premium costs are included in the contractual provisions.

### I. Long-Term Obligations

#### Capital Leases

The District entered into a lease agreement as lessee for financing an Energy Conservation Project to include retrofitting facilities with new HVAC, lighting, windows and roofing valued at \$946,748 with an estimated life ranging from 10-20 years. Accumulated depreciation at August 31, 2016 was \$412,240. This lease agreements qualify as a capital lease for accounting purposes and, therefore has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of August 31, 2016 were as follows:

<u>Year Ending August 31:</u>	
2017	\$ 141,942
2018	141,942
2019	141,942
2020	--
Total Minimum Lease Payments	\$ 425,826
Less: Amount Representing Interest	(28,365)
Present Value of Minimum Lease Payments	\$ <u>397,461</u>

Changes in long-term obligations for the year ended August 31, 2016, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 518,994	\$ --	\$ 121,533	\$ 397,461	\$ 126,853
Net pension liability*	969,276	1,239,969	170,758	2,038,487	--
	\$ <u>1,488,270</u>	\$ <u>1,239,969</u>	\$ <u>292,291</u>	\$ <u>2,435,948</u>	\$ <u>126,853</u>

\* The general fund is typically used to liquidate these liabilities. The beginning net pension liability has been restated for the effects of GASB 68.

### J. Fund Balance

#### Minimum Fund Balance Policy

In order to preserve financial stability, the District must be prepared to respond to cash flow shortages, large or unexpected one-time expenditures, changes in the economy, and changes in state funding. The District shall, therefore, target for its fund balance between 17 percent (60 days) and 25 percent (90 days) of total operating expenditures, excluding debt and capital outlay. At August 31, 2016, the District was not in compliance with this minimum fund balance policy.

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

### Committed Fund Balances

The Board of Trustees committed funds in the campus activities special revenue fund for use at the campus level.

### Restricted Fund Balances

Restricted fund balances in the special revenue funds represent amounts restricted for state and federal grants as well as amounts restricted by donors. Fund balance in the debt service fund is restricted for the retirement of long-term debt.

### K. Interfund Balances and Activities

Balances due to and due from other funds at August 31, 2016, are schedule to be repaid within one year and consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 17,552	Short-term loans

Transfers to and from other funds at August 31, 2016, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Governmental Funds	\$ 9,837	Supplement other funds sources

### L. Shared Services Arrangements

#### Membership

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

#### Member Districts

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

The District accounts for a very small portion of the revenues and expenditures in this program in a federal special revenue fund; however, the District does not account for the majority of the revenues and expenditures and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Bay City Independent School District nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. The financial report for this SSA may be obtained by writing Bay City ISD, 520 7th Street, Bay City, Tx 77414 or by calling (979) 245-5766.

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

#### Member Districts

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

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

The District does not account for the revenues and expenditures and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Bay City Independent School District nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. The financial report for this SSA may be obtained by writing Bay City ISD, 520 7th Street, Bay City, Tx 77414 or by calling (979) 245-5766.

### M. Disaggregated Revenue

During the current year, revenues reported in the fund financial statements from local sources consisted of the following:

	General Fund	Other Governmental Fund	Totals
Property taxes	\$ 7,355,680	\$	\$ 7,355,680
Penalties & interest	157,135		157,135
Investment earnings	11,285	66	11,351
Food service fees		269,637	269,637
Athletic receipts	38,866		38,866
Extra curricular activities		72,016	72,016
Other	195,788		195,788
Gifts & Bequests	--	41,103	41,103
	<u>\$ 7,758,754</u>	<u>\$ 382,822</u>	<u>\$ 8,141,576</u>

### N. Commitments and Contingencies

#### **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.

## *Required Supplementary Information*

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



Van Vleck Independent School District

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

**EXHIBIT G-1**

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 7,517,727	\$ 7,715,983	\$ 7,758,754	\$ 42,771
5800	State Program Revenues	2,662,170	3,308,170	3,313,207	5,037
5900	Federal Program Revenues	35,000	95,000	97,297	2,297
5020	Total Revenues	10,214,897	11,119,153	11,169,258	50,105
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	5,298,798	5,684,798	5,643,687	41,111
0012	Instructional Resources and Media Services	91,796	91,796	89,187	2,609
0013	Curriculum and Staff Development	65,310	59,310	59,639	(329)
	Total Instruction & Instr. Related Services	5,455,904	5,835,904	5,792,513	43,391
Instructional and School Leadership:					
0021	Instructional Leadership	118,695	118,695	115,754	2,941
0023	School Leadership	604,095	663,095	658,321	4,774
	Total Instructional & School Leadership	722,790	781,790	774,075	7,715
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	225,325	232,825	230,966	1,859
0033	Health Services	127,209	127,209	124,909	2,300
0034	Student (Pupil) Transportation	587,845	452,845	413,244	39,601
0035	Food Services	12,731	19,231	18,312	919
0036	Cocurricular/Extracurricular Activities	527,885	630,885	618,476	12,409
	Total Support Services - Student (Pupil)	1,480,994	1,462,994	1,405,907	57,087
Administrative Support Services:					
0041	General Administration	549,215	582,215	574,154	8,061
	Total Administrative Support Services	549,215	582,215	574,154	8,061
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,273,730	1,624,730	1,618,860	5,870
0052	Security and Monitoring Services	59,906	70,396	67,944	2,452
0053	Data Processing Services	132,083	250,083	248,898	1,185
	Total Support Services - Nonstudent Based	1,465,719	1,945,209	1,935,702	9,507
Ancillary Services:					
0061	Community Services	--	6,500	6,300	200
	Total Ancillary Services	--	6,500	6,300	200
Debt Service:					
0071	Principal on Long-Term Debt	106,877	106,877	121,533	(14,656)
0072	Interest on Long-Term Debt	35,069	35,069	20,409	14,660
0073	Bond Issuance Costs and Fees	500	500	--	500
	Total Debt Service	142,446	142,446	141,942	504
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	250,000	193,000	191,946	1,054
0099	Other Intergovernmental Charges	100,338	135,338	106,551	28,787
	Total Intergovernmental Charges	350,338	328,338	298,497	29,841
6030	Total Expenditures	10,167,406	11,085,396	10,929,090	156,306

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

**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	<u>47,491</u>	<u>33,757</u>	<u>240,168</u>	<u>206,411</u>
Other Financing Sources (Uses):				
8911 Transfers Out	<u>(45,000)</u>	<u>(45,000)</u>	<u>(9,837)</u>	<u>35,163</u>
7080 Total Other Financing Sources and (Uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(9,837)</u>	<u>35,163</u>
1200 Net Change in Fund Balance	<u>2,491</u>	<u>(11,243)</u>	<u>230,331</u>	<u>241,574</u>
0100 Fund Balance - Beginning	<u>1,530,638</u>	<u>1,530,638</u>	<u>1,530,638</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ 1,533,129</u>	<u>\$ 1,519,395</u>	<u>\$ 1,760,969</u>	<u>\$ 241,574</u>



**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
Measurement period ending August 31,	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.0057668%	0.0036287%	--	--	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 2,038,487	\$ 969,276	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	3,881,720	3,569,361	--	--	--	--	--	--	--	--
<b>Total</b>	<b>\$ 5,920,207</b>	<b>\$ 4,538,637</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
District's covered-employee payroll	\$ 6,151,110	\$ 6,273,110	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.14%	15.45%	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%	--	--	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN**  
**LAST TEN FISCAL YEARS \***

Fiscal year ending August 31,	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 187,866	\$ 170,758	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(187,866)	(170,758)	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 6,604,142	\$ 6,151,110	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	2.84%	2.78%	--	--	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2016

## Budget

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

## Defined Benefit Pension Plan

Changes since the prior actuarial valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

### Economic Assumptions

- 1 The inflation assumption was decreased from 3.00% to 2.50%.
- 2 The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- 3 In accordance with the observed experience, there were small adjustments in the service based promotional/longevity component of the salary scale.
- 4 The payroll growth assumption was lowered from 3.50% to 2.50%.
- 5 The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- 6 The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- 7 The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- 8 Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- 9 There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- 10 Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- 11 Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- 12 For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.
- 13 The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.



Van Vleck Independent School District

*Combining Statements and Budget Comparisons  
as Supplementary Information*

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

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2016

Data Control Codes	Special Revenue Funds	Permanent Fund  Gulf Coast Medical Grant	Total Nonmajor Governmental Funds (See Exhibit C-1)	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 54,824	\$ 8,495	\$ 63,319
1120	Current Investments	--	14,423	14,423
1240	Due from Other Governments	41,299	--	41,299
1300	Inventories	15,198	--	15,198
1000	Total Assets	<u>111,321</u>	<u>22,918</u>	<u>134,239</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2150	Payroll Deductions & Withholdings	\$ 2,260	\$ --	\$ 2,260
2160	Accrued Wages Payable	31,734	--	31,734
2170	Due to Other Funds	17,551	--	17,551
2300	Unearned Revenue	8,719	--	8,719
2000	Total Liabilities	<u>60,264</u>	<u>--</u>	<u>60,264</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3490	Other Restrictions of Fund Balance	14,929	22,918	37,847
Committed Fund Balances:				
3545	Other Committed Fund Balance	36,128	--	36,128
3000	Total Fund Balances	<u>51,057</u>	<u>22,918</u>	<u>73,975</u>
4000	Total Liabilities and Fund Balances	<u>\$ 111,321</u>	<u>\$ 22,918</u>	<u>\$ 134,239</u>

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Special Revenue Funds	Permanent Fund  Gulf Coast Medical Grant	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 382,756	\$ 66	\$ 382,822
5800 <i>State Program Revenues</i>	68,377	--	68,377
5900 <i>Federal Program Revenues</i>	680,223	--	680,223
5020 Total Revenues	<u>1,131,356</u>	<u>66</u>	<u>1,131,422</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	347,507	--	347,507
0012 <i>Instructional Resources and Media Services</i>	12,308	--	12,308
0013 <i>Curriculum and Staff Development</i>	12,260	--	12,260
0021 <i>Instructional Leadership</i>	4,061	--	4,061
0023 <i>School Leadership</i>	14,992	--	14,992
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	55	--	55
0033 <i>Health Services</i>	147	--	147
0034 <i>Student Transportation</i>	1,259	--	1,259
0035 <i>Food Service</i>	683,744	--	683,744
0036 <i>Cocurricular/Extracurricular Activities</i>	35,610	--	35,610
0041 <i>General Administration</i>	3,470	--	3,470
0051 <i>Facilities Maintenance and Operations</i>	10,634	--	10,634
0052 <i>Security and Monitoring Services</i>	360	--	360
6030 Total Expenditures	<u>1,126,407</u>	<u>--</u>	<u>1,126,407</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>4,949</u>	<u>66</u>	<u>5,015</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	9,837	--	9,837
7080 Total Other Financing Sources and (Uses)	<u>9,837</u>	<u>--</u>	<u>9,837</u>
1200 Net Change in Fund Balances	14,786	66	14,852
0100 Fund Balances - Beginning	36,271	22,852	59,123
3000 Fund Balances - Ending	<u>\$ 51,057</u>	<u>\$ 22,918</u>	<u>\$ 73,975</u>

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 3,147	\$ --	\$ --	\$ 620
1240	Due from Other Governments	5,236	8,978	922	16,358
1300	Inventories	--	--	--	15,198
1000	Total Assets	<u>8,383</u>	<u>8,978</u>	<u>922</u>	<u>32,176</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2150	Payroll Deductions & Withholdings	\$ 893	\$ 128	\$ 13	\$ 1,226
2160	Accrued Wages Payable	7,490	8,850	909	14,485
2170	Due to Other Funds	--	--	--	7,746
2300	Unearned Revenue	--	--	--	8,719
2000	Total Liabilities	<u>8,383</u>	<u>8,978</u>	<u>922</u>	<u>32,176</u>
<b>FUND BALANCES:</b>					
Restricted Fund Balances:					
3490	Other Restrictions of Fund Balance	--	--	--	--
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 8,383</u>	<u>\$ 8,978</u>	<u>\$ 922</u>	<u>\$ 32,176</u>



255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds
\$ --	\$ --	\$ 1,851	\$ --	\$ 36,128
916	8,889	--	--	--
--	--	--	--	--
<u>916</u>	<u>8,889</u>	<u>1,851</u>	<u>--</u>	<u>36,128</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
916	8,889	--	--	--
--	--	--	--	--
<u>916</u>	<u>8,889</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	1,851	--	--
--	--	--	--	36,128
<u>--</u>	<u>--</u>	<u>1,851</u>	<u>--</u>	<u>36,128</u>
<u>\$ 916</u>	<u>\$ 8,889</u>	<u>\$ 1,851</u>	<u>\$ --</u>	<u>\$ 36,128</u>

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes	480 Trull Foundation Grant	481 Conoco Phillips Grant
<b>ASSETS:</b>		
1110 <i>Cash and Cash Equivalents</i>	\$ 2,000	\$ 9,723
1240 <i>Due from Other Governments</i>	--	--
1300 <i>Inventories</i>	--	--
1000 Total Assets	<u>2,000</u>	<u>9,723</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2150 <i>Payroll Deductions &amp; Withholdings</i>	\$ --	\$ --
2160 <i>Accrued Wages Payable</i>	--	--
2170 <i>Due to Other Funds</i>	--	--
2300 <i>Unearned Revenue</i>	--	--
2000 Total Liabilities	<u>--</u>	<u>--</u>
<b>FUND BALANCES:</b>		
Restricted Fund Balances:		
3490 <i>Other Restrictions of Fund Balance</i>	2,000	9,723
Committed Fund Balances:		
3545 <i>Other Committed Fund Balance</i>	--	--
3000 Total Fund Balances	<u>2,000</u>	<u>9,723</u>
4000 Total Liabilities and Fund Balances	<u>\$ 2,000</u>	<u>\$ 9,723</u>

485	486	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
Powerset Program	WIT Program	
\$ 820	\$ 535	\$ 54,824
--	--	41,299
--	--	15,198
<u>820</u>	<u>535</u>	<u>111,321</u>
\$ --	\$ --	\$ 2,260
--	--	31,734
--	--	17,551
--	--	8,719
<u>--</u>	<u>--</u>	<u>60,264</u>
820	535	14,929
--	--	36,128
<u>820</u>	<u>535</u>	<u>51,057</u>
<u>\$ 820</u>	<u>\$ 535</u>	<u>\$ 111,321</u>

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 269,637
5800 <i>State Program Revenues</i>	--	--	--	2,913
5900 <i>Federal Program Revenues</i>	118,156	102,018	7,369	411,857
5020 <b>Total Revenues</b>	<u>118,156</u>	<u>102,018</u>	<u>7,369</u>	<u>684,407</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	112,581	102,018	7,369	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	3,000	--	--	--
0021 <i>Instructional Leadership</i>	2,575	--	--	--
0023 <i>School Leadership</i>	--	--	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	--	--	--
0033 <i>Health Services</i>	--	--	--	--
0034 <i>Student Transportation</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	683,744
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	10,500
0052 <i>Security and Monitoring Services</i>	--	--	--	--
6030 <b>Total Expenditures</b>	<u>118,156</u>	<u>102,018</u>	<u>7,369</u>	<u>694,244</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(9,837)</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>9,837</u>
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>9,837</u>
1200 <b>Net Change in Fund Balances</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
0100 <b>Fund Balances - Beginning</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
3000 <b>Fund Balances - Ending</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	410 State Textbook Fund	461 Campus Activity Funds	480 Trull Foundation Grant
\$ --	\$ --	\$ --	\$ 72,256	\$ --
--	--	65,464	--	--
25,867	14,956	--	--	--
<u>25,867</u>	<u>14,956</u>	<u>65,464</u>	<u>72,256</u>	<u>--</u>
22,699	6,478	63,263	18,822	--
--	--	--	12,308	--
1,582	7,678	--	--	--
686	800	--	--	--
900	--	--	14,092	--
--	--	--	55	--
--	--	--	147	--
--	--	--	61	--
--	--	--	--	--
--	--	--	21,660	--
--	--	350	3,120	--
--	--	--	134	--
--	--	--	--	--
<u>25,867</u>	<u>14,956</u>	<u>63,613</u>	<u>70,399</u>	<u>--</u>
--	--	1,851	1,857	--
--	--	--	--	--
--	--	--	--	--
--	--	1,851	1,857	--
--	--	--	34,271	2,000
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,851</u>	<u>\$ 36,128</u>	<u>\$ 2,000</u>

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	481 Conoco Phillips Grant	485 Powerset Program	486 WIT Program	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ 24,000	\$ 8,431	\$ 8,432	\$ 382,756
5800 <i>State Program Revenues</i>	--	--	--	68,377
5900 <i>Federal Program Revenues</i>	--	--	--	680,223
5020 <b>Total Revenues</b>	<u>24,000</u>	<u>8,431</u>	<u>8,432</u>	<u>1,131,356</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	14,277	--	--	347,507
0012 <i>Instructional Resources and Media Services</i>	--	--	--	12,308
0013 <i>Curriculum and Staff Development</i>	--	--	--	12,260
0021 <i>Instructional Leadership</i>	--	--	--	4,061
0023 <i>School Leadership</i>	--	--	--	14,992
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	--	--	55
0033 <i>Health Services</i>	--	--	--	147
0034 <i>Student Transportation</i>	--	692	506	1,259
0035 <i>Food Service</i>	--	--	--	683,744
0036 <i>Cocurricular/Extracurricular Activities</i>	--	6,739	7,211	35,610
0041 <i>General Administration</i>	--	--	--	3,470
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	10,634
0052 <i>Security and Monitoring Services</i>	--	180	180	360
6030 <b>Total Expenditures</b>	<u>14,277</u>	<u>7,611</u>	<u>7,897</u>	<u>1,126,407</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	<u>9,723</u>	<u>820</u>	<u>535</u>	<u>4,949</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	--	9,837
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>9,837</u>
1200 <b>Net Change in Fund Balances</b>	<u>9,723</u>	<u>820</u>	<u>535</u>	<u>14,786</u>
0100 <b>Fund Balances - Beginning</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>36,271</u>
3000 <b>Fund Balances - Ending</b>	<u>\$ 9,723</u>	<u>\$ 820</u>	<u>\$ 535</u>	<u>\$ 51,057</u>

## *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2016*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2007 and Prior Years	\$ Various	\$ Various	\$ Various
2008	.98	--	438,256,327
2009	.9819	--	532,851,818
2010	1.01	--	562,900,000
2011	1.04	--	520,525,385
2012	1.04	--	513,686,635
2013	1.04	--	501,441,731
2014	1.04	--	517,330,000
2015	.9884	--	606,755,969
2016 (School Year Under Audit)	1.0341	--	696,059,859

1000 Totals

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



10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 317,953	\$ --	\$ 10,459	\$ --	\$ (23,163)	\$ 284,331
24,093	--	2,729	--	(582)	20,782
42,205	--	7,027	--	(913)	34,265
51,923	--	8,922	--	(1,150)	41,851
80,440	--	39,166	--	2,841	44,115
88,961	--	46,292	--	2,614	45,283
105,914	--	41,674	--	(4,050)	60,190
129,518	--	55,443	--	(4,126)	69,949
261,469	--	163,432	--	12,267	110,304
--	7,197,955	6,975,187	--	(25,472)	197,296
<u>\$ 1,102,476</u>	<u>\$ 7,197,955</u>	<u>\$ 7,350,331</u>	<u>\$ --</u>	<u>\$ (41,734)</u>	<u>\$ 908,366</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 276,499	\$ 269,637	\$ (6,862)
5800 <i>State Program Revenues</i>	2,913	2,913	--
5900 <i>Federal Program Revenues</i>	420,973	411,857	(9,116)
5020 <b>Total Revenues</b>	<u>700,385</u>	<u>684,407</u>	<u>(15,978)</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	689,563	683,744	5,819
Total Support Services - Student (Pupil)	<u>689,563</u>	<u>683,744</u>	<u>5,819</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	10,700	10,500	200
Total Support Services - Nonstudent Based	<u>10,700</u>	<u>10,500</u>	<u>200</u>
6030 <b>Total Expenditures</b>	<u>700,263</u>	<u>694,244</u>	<u>6,019</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>122</u>	<u>(9,837)</u>	<u>(9,959)</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	--	9,837	9,837
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>9,837</u>	<u>9,837</u>
1200 Net Change in Fund Balance	122	--	(122)
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ 122</u>	<u>\$ --</u>	<u>\$ (122)</u>

# *Reed & Associates, PC*

*Certified Public Accountants  
2300 Avenue I  
Bay City, Texas 77414  
(979) 245-7361 ~ auditors@swbell.net*

Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With *Government Auditing Standards*

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

Members of the Board of Trustees:

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Vleck Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Van Vleck Independent School District's basic financial statements, and have issued our report thereon dated December 29, 2016.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Van Vleck Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Van Vleck Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Van Vleck Independent School District's internal control.

*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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Van Vleck Independent School District's financial statements are free from 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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

**Reed and  
Associates, PC**

Digitally signed by Reed and Associates, PC  
DN: cn=Reed and Associates, PC, o, ou,  
email=auditors@swbell.net, c=US  
Date: 2017.01.12 12:03:19 -06'00'

Reed & Associates, PC  
Bay City, Texas  
December 29, 2016

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2016*

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

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

B. Financial Statement Findings

NONE

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2016*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
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None noted

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2016*

Not Applicable

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2016*

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 2,038,487
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 76,178