

**VAN VLECK
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2019**



**8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566**

THIS PAGE LEFT BLANK INTENTIONALLY.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2019*

Table of Contents

<u>Exhibit Number</u>		<u>Page Number</u>
Introductory Section		
	Certificate of Board	7
Financial Section		
	Independent Auditor's Report	11-13
	Management's Discussion and Analysis	15-24
	Basic Financial Statements:	
A-1	Statement of Net Position	25
B-1	Statement of Activities	26
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	28
C-1R	Reconciliation of C-1	29
C-2	Statement of Revenues, Expenditures, and Changes in Fund Balances	30
C-2R	Reconciliation of C-2	31
	Fiduciary Fund Financial Statements:	
E-1	Statement of Net Position	32
E-2	Statement of Changes in Net Position	33
	Notes to the Financial Statements	35-70
Required Supplementary Information		
G-1	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	73
G-2	Schedule of Proportionate Share of the Net Pension Liability and Related Ratios - Cost Sharing Employer Plan	74-75
G-3	Schedule of Required Contributions - Cost Sharing Employer Plan	76-77
G-4	Schedule of Proportionate Share of the Net OPEB Liability and Related Ratios - Cost Sharing Employer Plan	78
G-5	Schedule of Required OPEB Contributions - Cost Sharing Employer Plan	79
Other Supplementary Information		
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	82-84
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	86-88
	Required Texas Education Agency Schedules:	
J-1	Schedule of Delinquent Taxes Receivable	90-91
J-4	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - National School Breakfast and Lunch Program	92
J-5	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Debt Service Fund	93

VAN VLECK INDEPENDENT SCHOOL DISTRICT

*Annual Financial Report
For the Year Ended August 31, 2019*

Table of Contents - Continued

<u>Exhibit Number</u>		<u>Page Number</u>
Federals Award Section		
	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 <i>Government Auditing Standards</i>	97-98
	Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	99-100
	Schedule of Findings and Questioned Costs.....	101
	Schedule of Status of Prior Findings	102
	Corrective Action Plan	103
K-1	Schedule of Expenditures of Federal Awards.....	104-105
	Notes on Accounting Policies for Federal Awards.....	106
Schedule for Electronic Filing		
L-1	Required Responses to Selected School First Indicators.....	109

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

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, 2019, at a meeting of the board of trustees of such school district on the 13th day of January 2020.



Terry Evans
Signature of Board Secretary



Tony Kucera, Jr.
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 if necessary):

THIS PAGE LEFT BLANK INTENTIONALLY.

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.



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 Van Vleck Independent School District (the "District"), as of and for the year ended August 31, 2019, 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 from 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 entity'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 entity'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.

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



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 the Van Vleck Independent School District, as of August 31, 2019, 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 on pages 15 through 24, budgetary comparison information on page 73, required pension schedules on pages 74 through 77 and required OPEB schedules on pages 78 through 79 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 District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and the required Texas Education Agency schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the required Texas Education Agency schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, the required Texas Education Agency schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Trustees
Van Vleck Independent School District
Van Vleck, Texas 77482
Page 3

The introductory section have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

KM&L, LLC

Van Vleck, Texas
December 17, 2019

THIS PAGE LEFT BLANK INTENTIONALLY.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2019

As management of the Van Vleck Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2019. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by \$ 14,174,026 (*net position*). Of this amount, \$ 8,081,105 (unrestricted net position) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 36,681,220. Approximately 39.15% of this total amount, \$ 14,359,414, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 14,380,148, or 99.81% of the total general fund expenditures.
- The District reported net pension liability of \$ 3,561,279 and a net OPEB liability of \$ 4,284,164, at August 31, 2019, with the implementation of GASB Statements 68, 71, and 75. With the addition of these non-current liabilities on an accrual basis, the District reported an unrestricted net position in the amount of \$ 8,081,105.

Overview of the Financial Statements

This discussion and analysis are 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 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 the District's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* for which it is financially accountable. The government-wide financial statements can be found on pages 25 through 26 of this report.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2019

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. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund 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*. The District maintains eighteen (18) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other fifteen (15) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, food service special revenue fund, and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 28 through 31 of this report.
- **Proprietary funds.** The District maintains no proprietary funds.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position that can be found on pages 32 through 33. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2019

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 70 of this report.

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. Required supplementary information can be found on pages 73 through 79 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 82 through 88 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 14,174,026 as of August 31, 2019. Net position of the District's governmental activities increased by \$ 6,455,447, from \$ 7,718,579 to \$ 14,174,026.

The District's Net Position

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 45,120,403	\$ 58,608,269
Capital assets	<u>31,826,712</u>	<u>6,862,613</u>
Total assets	<u>76,947,115</u>	<u>65,470,882</u>
Deferred outflows of resources	<u>2,649,783</u>	<u>859,508</u>
Total deferred outflows of resources	<u>2,649,783</u>	<u>859,508</u>
Long-term liabilities outstanding	55,650,715	55,819,358
Other liabilities	<u>8,222,242</u>	<u>1,026,596</u>
Total liabilities	<u>63,872,957</u>	<u>56,845,954</u>
Deferred inflows of resources	<u>1,549,915</u>	<u>1,765,857</u>
Total deferred inflows of resources	<u>1,549,915</u>	<u>1,765,857</u>
Net Position:		
Net investment in capital assets	5,980,700	3,537,644
Restricted	112,221	28,475
Unrestricted	<u>8,081,105</u>	<u>4,152,460</u>
Total net position	<u>\$ 14,174,026</u>	<u>\$ 7,718,579</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2019

Investment in capital assets (e.g., land and land improvements, buildings and improvements, furniture, equipment and vehicles, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 5,980,700. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$ 112,221 represents resources that are subject to external restrictions on how they may be used. The remaining balance is \$ 8,081,105, which represents unrestricted net position. The surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are less than currently available resources.

Governmental activities. The District's total net position increased \$ 6,445,447. The total cost of all *governmental activities* this year was \$ 18,257,326. The amount that our taxpayers paid for these activities through property taxes was \$ 10,467,010 or 57.33%.

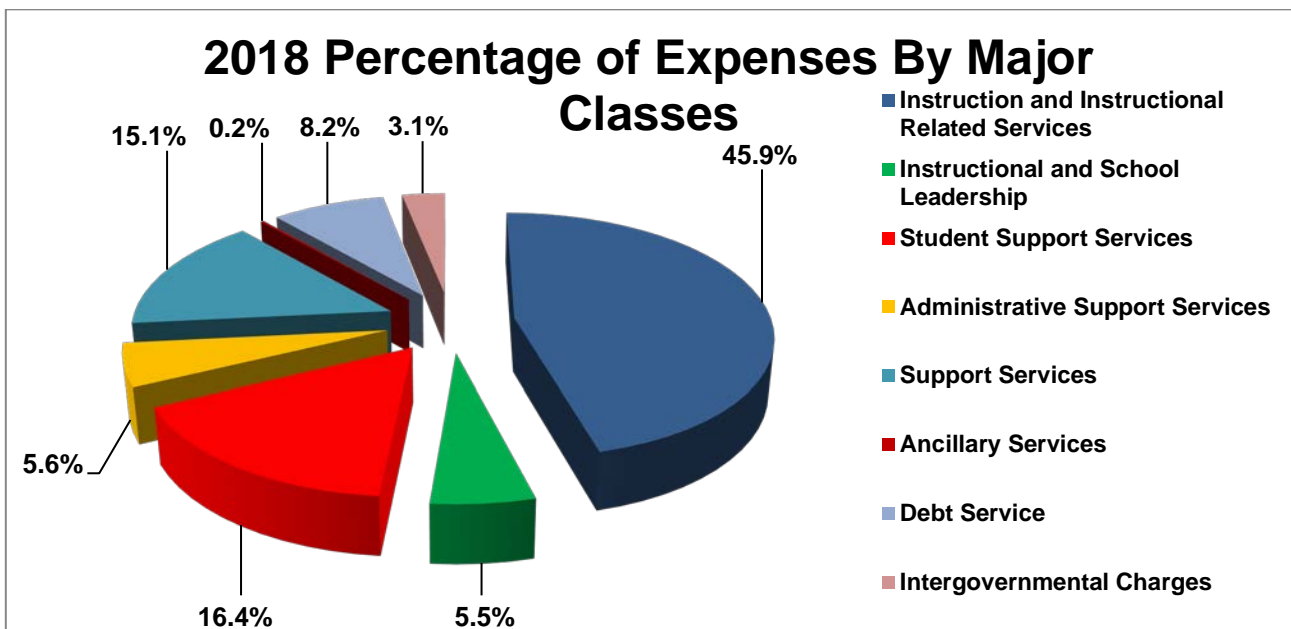
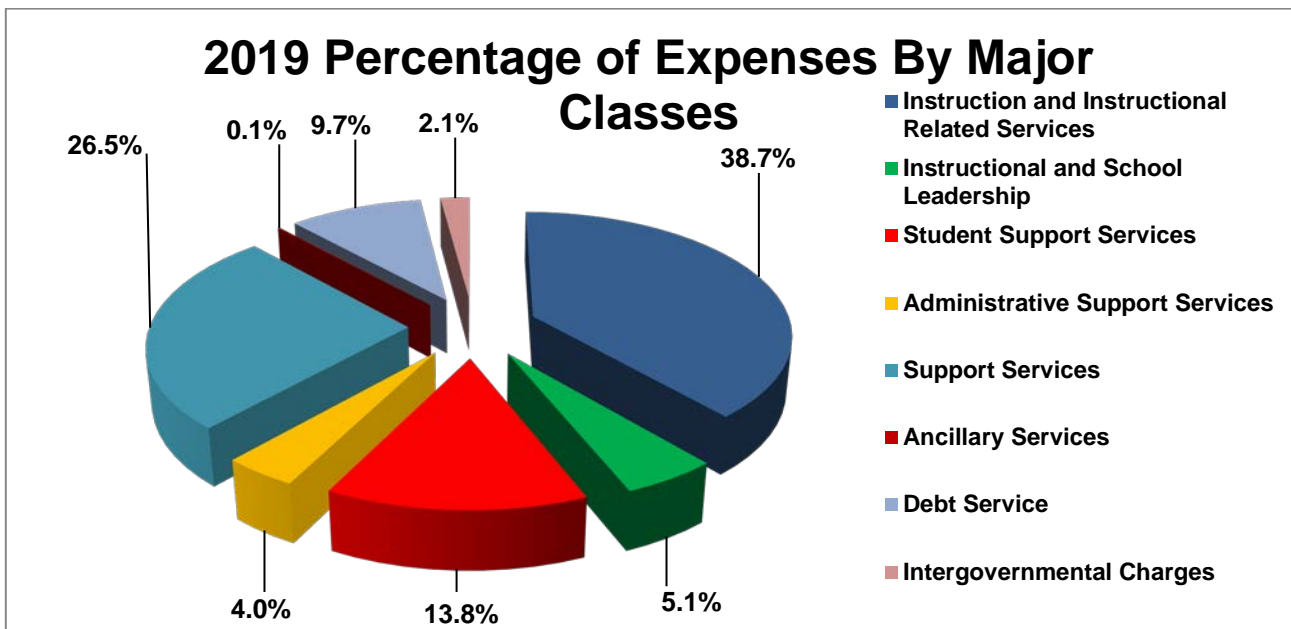
Changes in the District's Net Position

	<u>2019</u>	<u>2018</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 298,501	\$ 807,918
Operating grants and contributions	1,473,282	(504,838)
Capital grants and contributions	5,222	
General Revenues:		
Property taxes	10,467,010	6,054,058
State aid formula grants	4,089,931	3,613,328
Other	<u>8,378,827</u>	<u>8,970,135</u>
Total revenues	<u>24,712,773</u>	<u>18,940,601</u>
Expenses:		
Instruction	6,930,092	4,728,589
Instructional resources and media services	102,166	83,485
Curriculum and instructional staff development	37,079	54,044
Instructional leadership	149,959	98,021
School leadership	780,892	484,687
Guidance, counseling and evaluation services	365,821	176,801
Health services	189,112	109,140
Student transportation	367,968	262,163
Food services	813,810	603,252
Cocurricular/extracurricular activities	791,055	582,094
General administration	726,791	596,236
Plant maintenance and operations	4,402,177	1,354,580
Security and monitoring services	192,127	96,121
Data processing services	249,007	150,170
Community services	2,651	18,054
Interest and fiscal charges	1,764,170	866,883

(continued)

VAN VLECK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2019

	<u>2019</u>	<u>2018</u>
Payments related to shared services arrangements	\$ 258,536	\$ 213,516
Other governmental	<u>133,913</u>	<u>114,136</u>
Total expenses	<u>18,257,326</u>	<u>10,591,972</u>
Increase in net position	6,455,447	8,348,629
Beginning net position (deficit)	<u>7,718,579</u>	<u>(630,050)</u>
Ending net position	<u>\$ 14,174,026</u>	<u>\$ 7,718,579</u>



VAN VLECK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2019

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, bond covenants, and segregation for particular purposes.

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 36,681,220, a decrease of \$ 20,696,730. Approximately 39.15% of this total amount, \$ 14,359,414, constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable, restricted, committed* or *assigned* to indicate that it is not available for new spending because it has already been classified 1) for inventories \$ 20,734, 2) for prepaid items \$ 162,669, 3) for capital acquisitions and contractual obligations \$ 21,959,260, 4) for debt service \$ 66,922, 5) other restricted \$ 42,920, and 6) other committed \$ 69,301.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 14,380,148, while the total fund balance was \$ 14,542,817. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 99.81% of the total general fund expenditures, while total fund balance represents 100.94% of that same amount.

The fund balance of the District's general fund increased \$ 3,433,523 during the current fiscal year. Key factors related to this change are as follows:

- The District is in a Chapter 313 agreement with Maverick Tube Corporation/Tenaris and received a revenue loss payment of \$ 4,159,972 and a supplemental payment of \$ 99,000 from the entity.
- The District filed a hail damage insurance claim. Insurance proceeds were \$ 2,055,301 and hail damage costs were \$ 2,558,477.
- The District approved to renovate athletic facilities outside of the scope of the bond at approximately \$ 63,000.
- The District supplemented the National School Lunch and Breakfast Program.

The debt service fund has a total fund balance of \$ 66,922, all of which is restricted for debt service. The net increase in fund balance during the period in the debt service fund was \$ 53,152. Following are factors contributing to this change:

- The tax rate for I&S was \$ 0.21325 with a 99% projected collection rate. The tax collections exceed the expected collection rate.
- In addition to current year property tax revenue, penalties and interest were collected on delinquent payments of \$ 10,346.
- Interest was earned on the deposited funds of \$ 11,348.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2019

The capital projects fund has a total fund balance of \$ 21,959,260, all of which is restricted for the acquisition of capital contractual obligations. The net decrease in fund balance during the period in the capital projects fund was \$ 24,194,173. Following are factors contributing to this change:

- Renovations to the football stadium and track were completed.
- Renovations to the auditorium and gymnasium began.
- Construction of the new elementary school began.
- Construction of the new high school, middle school and renovations to the agriculture building began.

General Fund Budgetary Highlights

The District made the following amendments to budgeted revenue.

- Budget insurance recover revenue for reimbursement for hail damage claims.
- Decrease budgeted revenue for the National School Lunch and Breakfast Program.

Following is a summary of amendments made to appropriations:

- Budget MAC/SHARS contracted services.
- Budget for hail damage expenditures.
- Increase security budget to cover all school district events.
- Increase cocurricular budget to renovate projects outside of the scope of the bond.
- Increase budget for National School Lunch and Breakfast Program costs.
- Budget transfer of funds to the National School Lunch and Breakfast Program from the General Fund.

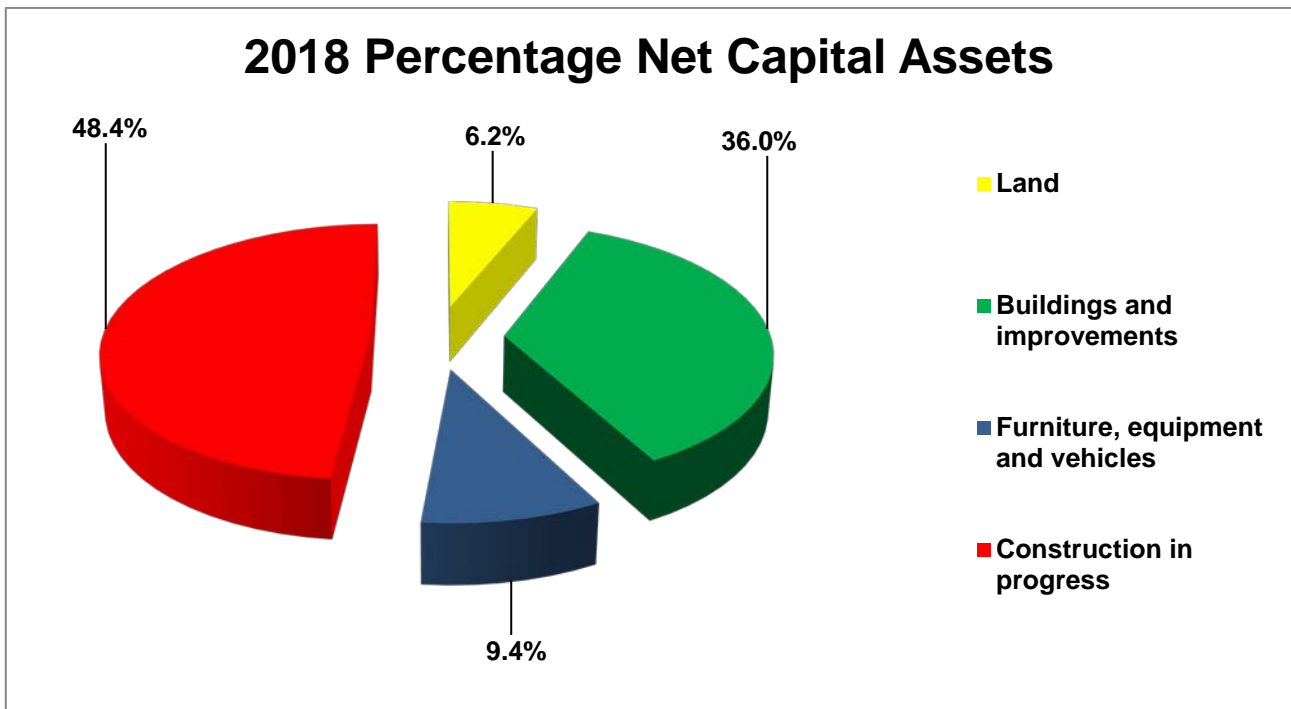
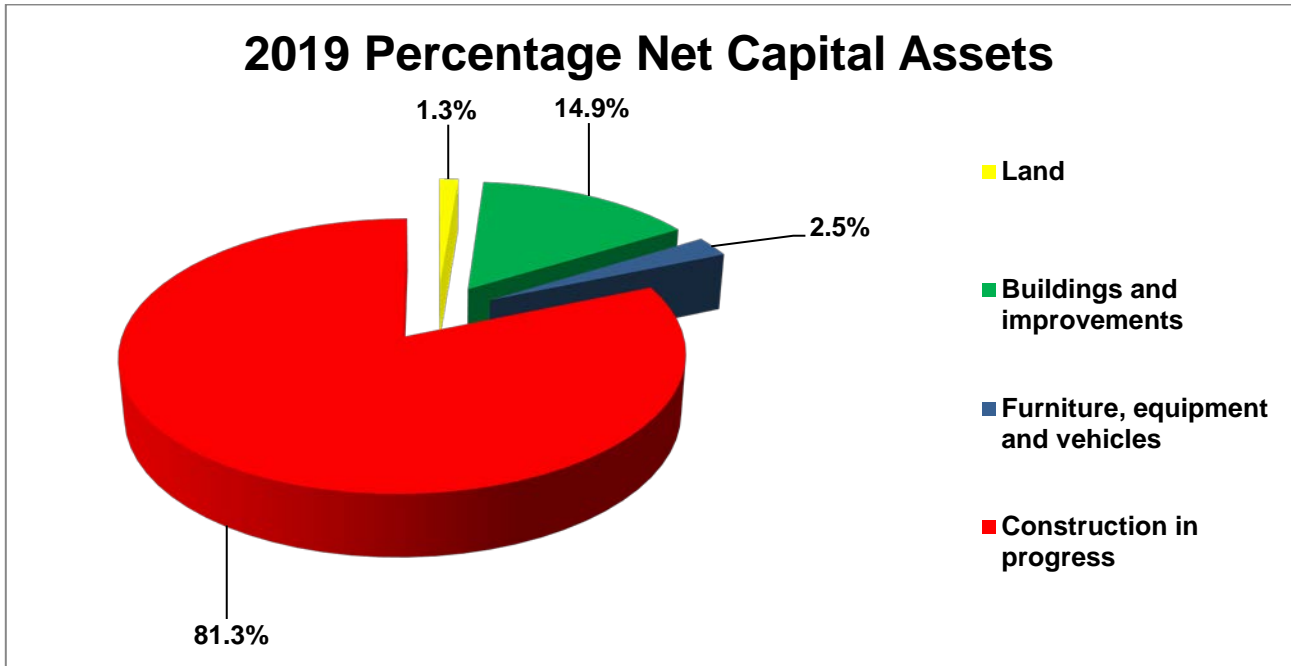
Capital Asset and Debt Administration

Capital assets. The District's investments in capital assets for its governmental activities as of August 31, 2019 amounts to \$ 31,826,712 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture, equipment and vehicles, and construction in progress.

District's Net Capital Assets

	<u>2019</u>	<u>2018</u>
Land	\$ 423,398	\$ 423,398
Buildings and improvements	4,743,102	2,469,331
Furniture, equipment and vehicles	806,154	644,915
Construction in progress	<u>25,854,058</u>	<u>3,324,969</u>
Total at historical cost	<u>\$ 31,826,712</u>	<u>\$ 6,862,613</u>

Additional information on the District's capital assets can be found in Note 5 on pages 52 through 54 of this report.

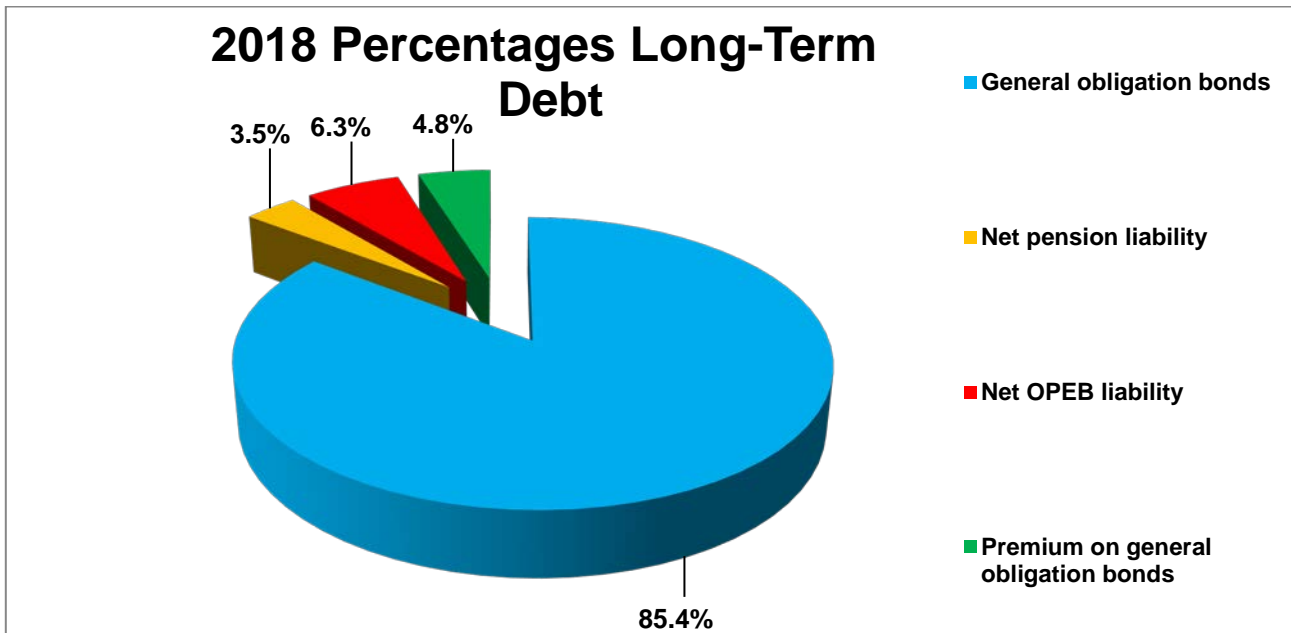
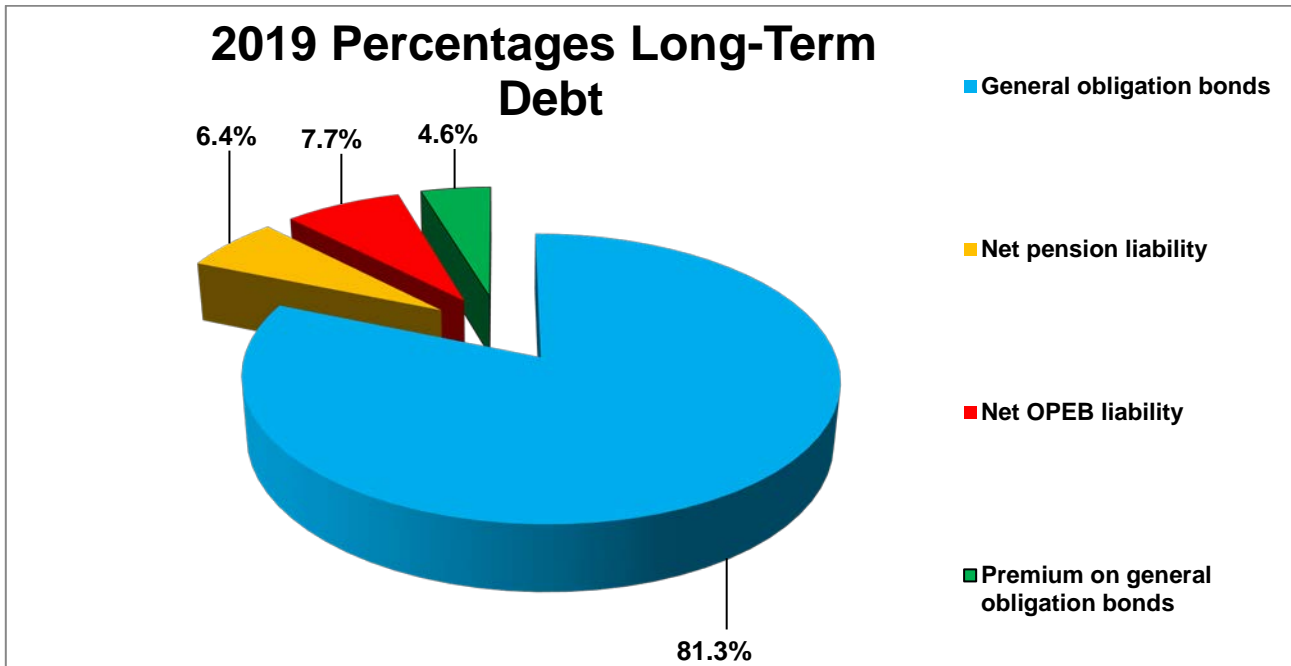


Long-term debt. At August 31, 2019, the District had total long-term debt outstanding of \$ 55,650,715. Long-term debt is made of general obligation bonds of \$ 45,250,000, net pension liability of \$ 3,561,279, net OPEB liability of \$ 4,284,164, and premium on general obligation bonds of \$ 2,555,272.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 AUGUST 31, 2019

District's Long-Term Debt:

	<u>2019</u>	<u>2018</u>
General obligation bonds	\$ 45,250,000	\$ 47,685,000
Net pension liability	3,561,279	1,922,282
Net OPEB liability	4,284,164	3,518,623
Premium on general obligation bonds	<u>2,555,272</u>	<u>2,693,453</u>
 Total long-term debt	 <u>\$ 55,650,715</u>	 <u>\$ 55,819,358</u>



VAN VLECK INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2019

S&P's AAA rating on the District's bonded indebtedness is provided by a guarantee of the Texas Permanent School Fund for timely payment of principal and interest in the event the District is unable to meet debt service requirements. S&P's AAA underlying rating is representative of the District's sizable but highly concentrated tax base, low debt levels, and modest financial reserves.

Additional information on the District's long-term debt and capital leases can be found in Notes 6 on pages 54 through 55 of this report.

Economic Factors and Next Year's Budgets and Rates

Factors affecting the 2020 Budget were as follows:

- The 2019 M&O Certified Taxable Value is \$ 604,227,914. The VVSD M&O budget is based on an M&O tax rate of \$ 0.97.
- The total tax rate is \$ 1.19281.
- The District passed a voter election for an \$ 88,200,000 bond package in November 2017. As of August 31, 2019, the District issued \$ 49,600,000 of the bond package. In November of 2019, the District issued an additional \$ 29,000,000 to cover the project costs. The District has \$ 9,600,000 of bonds available. The new Elementary School, the new High School, the Agriculture Building renovations, the Auditorium and Gymnasium renovations, the Football Stadium and Track renovations are projected to be completed projects by the end of the 2020 fiscal year. The construction start date of the new Junior High School is expected to begin in 2020.
- The District is in the 3rd year of the tax limitation period of the Chapter 313 School Value Limitation Agreement with Tenaris USA.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Superintendent, 142 S. Fourth Street, Van Vleck, TX 77482 or call 979-245-8518.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

Exhibit A-1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and cash equivalents	\$ 41,548,786
1120	Current investments	14,423
1220	Property taxes receivables	959,347
1230	Allowance for uncollectible taxes	(634,476)
1240	Due from other governments	3,048,920
1300	Inventories	20,734
1410	Prepaid items	162,669
	Capital Assets:	
1510	Land	423,398
1520	Building and improvements, net	4,743,102
1530	Furniture, equipment and vehicles, net	806,154
1580	Construction in progress	<u>25,854,058</u>
1000	Total assets	<u>76,947,115</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1700	Deferred outflows	<u>2,649,783</u>
	Total deferred outflows of resources	<u>2,649,783</u>
	LIABILITIES:	
2110	Accounts payable	7,561,962
2140	Accrued interest payable	81,877
2160	Accrued wages payable	576,251
2300	Unearned revenue	2,152
	Noncurrent Liabilities:	
2501	Due within one year	2,770,293
2502	Due in more than one year	45,034,979
2540	Net pension liability	3,561,279
2545	Net OPEB liability	<u>4,284,164</u>
2000	Total liabilities	<u>63,872,957</u>
	DEFERRED INFLOWS OF RESOURCES	
2600	Deferred inflows	<u>1,549,915</u>
	Total deferred inflows of resources	<u>1,549,915</u>
	NET POSITION:	
3200	Net investment in capital assets	\$ 5,980,700
	Restricted For:	
3870	Campus activities	69,301
3890	Other	42,920
3900	Unrestricted	<u>8,081,105</u>
3000	Total net position	<u>\$ 14,174,026</u>

The notes to the financial statements are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

Exhibit B-1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues			Net Expense and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:						
11	Instruction	\$ 6,930,092	\$ 15,797	\$ 759,621	\$	\$(6,154,674)
12	Instructional resources and media services	102,166	5,386	4,269		(92,511)
13	Curriculum and instructional staff development	37,079	83	7,568		(29,428)
21	Instructional leadership	149,959		9,988		(139,971)
23	School leadership	780,892	10,947	39,472		(730,473)
31	Guidance, counseling, and evaluation services	365,821		17,439		(348,382)
33	Health services	189,112		7,377		(181,735)
34	Student transportation	367,968	625	17,152		(350,191)
35	Food services	813,810	214,726	487,044	5,222	(106,818)
36	Extracurricular activities	791,055	42,019	16,525		(732,511)
41	General administration	726,791	2,901	43,211		(680,679)
51	Facilities maintenance and operations	4,402,177	5,674	44,267		(4,352,236)
52	Security and monitoring services	192,127		7,447		(184,680)
53	Data processing services	249,007		11,902		(237,105)
61	Community services	2,651	343			(2,308)
71	Interest and fiscal charges	1,764,170				(1,764,170)
93	Payments related to shared service arrangements	258,536				(258,536)
99	Other intergovernmental charges	133,913				(133,913)
TG	Total governmental activities	<u>\$ 18,257,326</u>	<u>\$ 298,501</u>	<u>\$ 1,473,282</u>	<u>\$ 5,222</u>	<u>\$(16,480,321)</u>
General Revenues:						
Taxes:						
MT	Property taxes, levied for general purposes					\$ 6,086,998
DT	Property taxes, levied for debt service					4,380,012
SF	State aid-formula grants					4,089,931
GC	Grants and contributions not restricted to specific programs					625,183
IE	Investment earnings					1,384,473
MI	Miscellaneous					<u>6,369,171</u>
TG	Total general revenues					<u>22,935,768</u>
CN	Change in net position					6,455,447
NB	Net position – beginning					<u>7,718,579</u>
NE	Net position – ending					<u>\$ 14,174,026</u>

The notes to the financial statements are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AUGUST 31, 2019

Exhibit C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
Assets:						
1110	Cash and cash equivalents	\$ 11,965,039	\$ 67,422	\$ 29,409,239	\$ 107,086	\$ 41,548,786
1120	Current investments				14,423	14,423
1220	Delinquent property taxes receivable	932,139	27,208			959,347
1230	Allowance for uncollectible taxes (credit)	(607,541)	(26,935)			(634,476)
1240	Receivables from other governments	2,968,743			80,177	3,048,920
1260	Due from other funds	51,354				51,354
1300	Inventories				20,734	20,734
1410	Prepaid items	<u>162,669</u>				<u>162,669</u>
1000	Total assets	<u>15,472,403</u>	<u>67,695</u>	<u>29,409,239</u>	<u>222,420</u>	<u>45,171,757</u>
Deferred Outflows of Resources:						
1700	Deferred outflows					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 15,472,403</u>	<u>\$ 67,695</u>	<u>\$ 29,409,239</u>	<u>\$ 222,420</u>	<u>\$ 45,171,757</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 110,530	\$	\$ 7,449,979	\$ 1,453	\$ 7,561,962
2160	Accrued wages payable	520,511			55,740	576,251
2170	Due to other funds		500		50,854	51,354
2300	Unearned revenue				<u>2,152</u>	<u>2,152</u>
2000	Total liabilities	<u>631,041</u>	<u>500</u>	<u>7,449,979</u>	<u>110,199</u>	<u>8,191,719</u>
Deferred Inflows of Resources:						
2600	Deferred inflows – property taxes	<u>298,545</u>	<u>273</u>			<u>298,818</u>
	Total deferred inflows of resources	<u>298,545</u>	<u>273</u>	<u>-0-</u>	<u>-0-</u>	<u>298,818</u>
Fund Balances:						
Non-Spendable:						
3410	Inventories				20,734	20,734
3430	Prepaid items	162,669				162,669
Restricted:						
3470	Capital acquisitions and contractual obligations			21,959,260		21,959,260
3480	Debt service		66,922			66,922
3490	Other				42,920	42,920
Committed:						
3545	Other				69,301	69,301
Unassigned:						
3600	Unassigned	<u>14,380,148</u>			<u>(20,734)</u>	<u>14,359,414</u>
3000	Total fund balances	<u>14,542,817</u>	<u>66,922</u>	<u>21,959,260</u>	<u>112,221</u>	<u>36,681,220</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,472,403</u>	<u>\$ 67,695</u>	<u>\$ 29,409,239</u>	<u>\$ 222,420</u>	<u>\$ 45,171,757</u>

The notes to the financial statements are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
AUGUST 31, 2019

Exhibit C-1R

Total fund balances – governmental funds balance sheet (C-1)	\$ 36,681,220
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 40,451,463 in assets less \$ 8,624,751 in accumulated depreciation.	31,826,712
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 298,545 and \$ 273, respectively.	298,818
Pension deferred outflows of resources of \$ 2,019,702 less pension deferred inflows of resources of \$ 195,160.	1,824,542
OPEB deferred outflows of resources of \$ 630,081 less OPEB deferred inflows of resources of \$ 1,354,755.	(724,674)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 2,555,272 (premium on sale of bonds of \$ 2,693,453 less amortization of \$ 138,181).	(2,555,272)
Payables for net pension liability are not reported in the funds.	(3,561,279)
Payables for bond principal are not reported in the funds.	(45,250,000)
Payables for net OPEB liability are not reported in the funds.	(4,284,164)
Payables for accrued interest are not reported in the funds.	<u>(81,877)</u>
Net position of governmental activities – statement of net position (A-1)	<u>\$ 14,174,026</u>

The notes to the financial statements 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, 2019

Exhibit C-2

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:						
5700	Local and intermediate sources	\$ 12,711,336	\$ 4,391,087	\$ 1,141,664	\$ 295,157	\$ 18,539,244
5800	State program revenues	4,564,372			76,735	4,641,107
5900	Federal program revenues	<u>625,183</u>			<u>894,546</u>	<u>1,519,729</u>
5020	Total revenues	<u>17,900,891</u>	<u>4,391,087</u>	<u>1,141,664</u>	<u>1,266,438</u>	<u>24,700,080</u>
EXPENDITURES:						
Current:						
0011	Instruction	5,989,244			463,926	6,453,170
0012	Instructional resources and media services	90,945			4,216	95,161
0013	Curriculum and instructional staff development	26,955			7,678	34,633
0021	Instructional leadership	132,950			8,233	141,183
0023	School leadership	721,849			8,348	730,197
0031	Guidance, counseling, and evaluation services	343,586			570	344,156
0033	Health services	178,197				178,197
0034	Student transportation	433,575		175,035	641	609,251
0035	Food services				777,668	777,668
0036	Extracurricular activities	795,127			19,677	814,804
0041	General administration	677,020	59		2,412	679,491
0051	Facilities maintenance and operations	4,209,639		25,160,802	20,152	29,390,593
0052	Security and monitoring services	181,509			1,250	182,759
0053	Data processing services	232,571				232,571
0061	Community services	2,401			250	2,651
0071	Debt service - principal		2,435,000			2,435,000
0071	Debt service - interest and fees		1,902,876			1,902,876
0093	Payments related to shared services arrangements	258,536				258,536
0099	Other intergovernmental	<u>133,913</u>				<u>133,913</u>
6030	Total expenditures	<u>14,408,017</u>	<u>4,337,935</u>	<u>25,335,837</u>	<u>1,315,021</u>	<u>45,396,810</u>
1100	Excess (deficiency) of revenues over expenditures	<u>3,492,874</u>	<u>53,152</u>	<u>(24,194,173)</u>	<u>(48,583)</u>	<u>(20,696,730)</u>
OTHER FINANCING SOURCES (USES):						
7915	Operating transfers in				59,351	59,351
8911	Operating transfers out	<u>(59,351)</u>				<u>(59,351)</u>
	Total other financing sources and (uses)	<u>(59,351)</u>	<u>-0-</u>	<u>-0-</u>	<u>59,351</u>	<u>-0-</u>
1200	Net change in fund balances	3,433,523	53,152	(24,194,173)	10,768	(20,696,730)
0100	Fund balances – beginning	<u>11,109,294</u>	<u>13,770</u>	<u>46,153,433</u>	<u>101,453</u>	<u>57,377,950</u>
3000	Fund balances – ending	<u>\$ 14,542,817</u>	<u>\$ 66,922</u>	<u>\$ 21,959,260</u>	<u>\$ 112,221</u>	<u>\$ 36,681,220</u>

The notes to the financial statements 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 THE GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

Exhibit C-2R

Net change in fund balances – total governmental funds (from C-2)	\$(20,696,730)
Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$ 25,410,885 exceeded depreciation of \$ 424,501 in the current period.	24,986,384
Government funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 327,426 more than the amount reported in the funds.	(327,426)
Government funds report OPEB payments as expenditures. However, in the governmental activities statement of activities, the OPEB cost is calculated by an actuary and involves multiple factors. The amount of OPEB expense reported was \$ 70,895 more than the amount reported in the funds.	(70,895)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund increased by \$ 12,420 and for the debt service fund increased by \$ 273.	12,693
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. These amounts were for general obligation bonded debt of \$ 2,435,000.	2,435,000
Premium on the issuance of bonds provides current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium amortization amounts to \$ 138,181.	138,181
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of the assets disposed was \$ 22,285 (Cost of \$ 239,654 less accumulated depreciation of \$ 217,369).	(22,285)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt.	<u>525</u>
Change in net position of governmental activities (see B-1)	<u>\$ 6,455,447</u>

The notes to the financial statements are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2019

Exhibit E-1

	Private- Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:		
Assets:		
Cash and cash equivalents	\$ <u> 3,890</u>	\$ <u> 65,719</u>
Total assets	<u> 3,890</u>	<u> 65,719</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows		
Total deferred outflows of resources	<u> -0-</u>	
Total assets and deferred outflows of resources	<u>\$ <u> 3,890</u></u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:		
Liabilities:		
Amounts due to student groups	\$ <u> </u>	\$ <u> 65,719</u>
Total liabilities	<u> -0-</u>	<u> 65,719</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows		
Total deferred inflows of resources	<u> -0-</u>	
NET POSITION:		
Held in trust for other purposes	<u> 3,890</u>	
Total net position	<u> 3,890</u>	
Total liabilities, deferred inflows of resources, and net position	<u>\$ <u> 3,890</u></u>	

The notes to the financial statements are an integral part of this financial statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Exhibit E-2

	<u>Private- Purpose Trusts</u>
ADDITIONS	
Gifts and bequests	\$ <u>24</u>
Total additions	<u>24</u>
DEDUCTIONS	
Total deductions	<u>-0-</u>
Change in net position	24
NET POSITION	
Net position – beginning of the year	<u>3,866</u>
Net position – end of the year	<u>\$ <u>3,890</u></u>

The notes to the financial statements are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

Note	Page
1. Summary of Significant Accounting Policies	36
2. Deposits, Investments and Derivatives	45
3. Receivables, Uncollectible Accounts, Deferred Outflows and Inflows of Resources, and Unearned Revenues	50
4. Interfund Receivables, Payables and Transfers.....	52
5. Capital Assets.....	52
6. Long-Term Debt	54
7. Defined Benefit Pension Plan.....	56
8. Defined Other Post-Employment Benefit Plans.....	61
9. General Fund Federal Source Revenues.....	67
10. Local and Intermediate Revenues.....	67
11. Risk Management	68
12. Litigation and Contingencies	69
13. Joint Ventured-Shared Service Arrangements.....	69
14. Tax Abatements	69
15. Subsequent Event.....	70

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Van Vleck Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees that are elected by registered voters of the District. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

The Board of the District is elected by the public; has the authority to make decisions, appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 61, *"The Financial Reporting Entity: Omnibus – and amendment of GASB Statement No. 14 and No. 34"*. The District has no component units that it is including within the reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenues and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and the unrestricted resources as needed.

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 District, except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal and state government, food service, debt service, and capital projects.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation (Continued)

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the general fund after all of the related debt obligations have been met. Major revenue sources include local property taxes, and interest earnings. Expenditures include all costs associated with related debt service.

The *Capital Projects Fund* accounts for the resources accumulated and made for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. The major revenue source includes investment earnings and other resources from proceeds from sale of general obligation bonded debt.

Additionally, the District reports the following fiduciary funds:

The *private-purpose trust funds* are used to account for donations for endowments received from individuals and/or organizations for specified donor purposes for which the principal and earned interest or revenue may be used.

The *agency fund* accounts for resources held in a custodial capacity by the District, and consists of funds that are the property of students or others.

Cash and Investments

The District considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

Interfund Receivables, Payables and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The District had no advances between funds. See Note 4 for additional discussion of interfund receivables, payables and transfers.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the district in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the District is the responsibility of the Matagorda County Appraisal District (MCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. MCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years.

Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the MCAD Review Board through various appeals and, if necessary, legal action.

The assessed value (adjusted) of the property tax roll on August 1, 2018, upon which the levy for the 2018-19 fiscal year was based, was \$ 603,917,108. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2019, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 1.04000 and \$ 0.21325 per \$ 100 valuation, respectively, for a total of \$ 1.25325 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2019 were 97.33% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting 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. As of August 31, 2019, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 324,598 and \$ 273 for the general and debt service funds, respectively.

Inventories

The consumption method is used to account for inventories (food products, school supplies and athletic equipment) of governmental funds. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. Governmental fund inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources. Inventories of food commodities are recorded at market values supplied by the United States Department of Agriculture. Although commodities are received at no cost, their market value is recorded as inventory and deferred revenue when received in the governmental funds. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets, which include land and land improvements, buildings and improvements, and furniture, equipment and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government to be \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Buildings and improvements, furniture, equipment and vehicles of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 50
Furniture, equipment and vehicles	5 - 15

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Compensated Absences

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures or expenses in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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's 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.

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Budgetary Data

Formal budgetary accounting is employed for all required governmental funds, as outlined in TEA's FASRG, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required governmental funds prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data (Continued)

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund and the national school breakfast and lunch program. The remaining special revenue funds and the capital projects fund (if utilized) adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

The Official Budget was prepared for adoption for the general fund, national school breakfast and lunch program and debt service fund prior to August 31, 2018. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System. Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year the budget was properly amended in accordance with the above procedures.

Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

As of August 31, 2019, the District did not have any encumbrances outstanding.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

The District's Board of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees. Fund balance of the District may be committed for a specific source by formal action of the District's Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action by the District's Board of Trustees. When it is appropriate for fund balance to be assigned, the Board of Trustees has delegated authority to the Assistant Superintendent of Finance. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The District implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

Non-spendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors, grantors, contributors or other governments; or are imposed by law.

Committed Fund Balance - Amounts that can only be used for specific purposes because of a Board of Trustees Resolution by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body by the Assistant Superintendent of Finance. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

As of August 31, 2019, non-spendable fund balances include \$ 162,669 for prepaid items in the general fund and \$ 20,734 for inventories in the national school breakfast and lunch program. Restricted fund balances include \$ 66,922 for the debt service fund, \$ 21,959,260 for the capital projects fund, and \$ 42,920 for state textbook fund, gulf coast medical grant fund, Trull foundation grant fund, Conoco Phillips grant fund, powerset program fund and WIT program fund (special revenue funds). Committed fund balances include \$ 69,301 for campus activity funds. Unassigned fund balance includes \$ 14,380,148 in the General Fund and a deficit of \$ 20,734 in national school breakfast and lunch program.

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets and deferred outflows of resources, and, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB No. 83 "Certain Asset Retirement Obligations" was issued in November 2016. This statement was implemented and did not have a material effect on the District's financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB No. 84 "Fiduciary Activities" was issued in January 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after December 15, 2018.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

GASB No. 87 “Leases” was issued in June 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after December 15, 2019.

GASB No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB No. 90 “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61” was issued in August 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB No. 91 “Conduit Debt Obligations” was issued in May 2019. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Cash and cash equivalents are reported on the statement of net position at August 31, 2019 are as follows:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents:			
Cash (petty cash accounts)	\$ 1,620	\$	\$ 1,620
Financial Institution Deposits:			
Demand deposits	20,202,506	67,539	20,270,045
Local Government Investment Pools:			
Lone Star	14,015,622	2,070	14,017,692
Logic	<u>7,329,038</u>	<u> </u>	<u>7,329,038</u>
	<u>\$ 41,548,786</u>	<u>\$ 69,609</u>	<u>\$ 41,618,395</u>

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At August 31, 2019, in addition to petty cash of \$ 1,620, the carrying amount of the District's cash, savings, and time deposits was \$ 20,270,045. The financial institutions balances were \$ 20,417,741 at August 31, 2019. Financial institution balances of \$ 750,000 were covered by federal depository insurance and \$ 19,667,741 were covered by collateral pledged in the District's name. The District's financial institution balances were covered by federal depository insurance and collateral pledged in the District's name. The collateral was held in safekeeping departments of unrelated financial institutions, which act as the pledging bank's agent.

In addition the following is disclosed regarding coverage of combined balances on the date of highest deposit:

Depository:

- a. Name of bank: Various
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 19,667,741.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 20,417,741 and occurred on August 31, 2019.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 750,000.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The District's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Trustees. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the District will deposit funds is addressed. The District's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes it complied with the requirements of the PFIA and the District's investment policy.

The District's Investment Officer submits an investment report each quarter to the Board of Trustees. The report details the investment positions of the District and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

The District participates in Local Government Investment Pools (LGIP): Lone Star Investment Pool and Logic. The Lone Star Investment Pool (the "Pool") was established on July 25, 1991, as a public funds investment pool in accordance with the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. Lone Star is a 2(a)7 like fund, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Standard and Poor's has assigned its "AAAm" fund risk ratings to the Pool's Corporate Overnight Plus Fund.

Logic is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texas Term is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texas Term are rated AAAM from Standard and Poors and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

At August 31, 2019, the Corporate Overnight Plus Fund had a weighted average maturity of 44 days and Logic had a weighted average maturity of 47 days. Although these funds had weighted average maturities of 44 and 27 days, respectively, the District considers holdings of these funds to have a one day weighted average maturity. This is due to the fact that the share position can normally be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The District's investment in LGIP are insured, registered, or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial credit risk.

The following table includes the portfolio balances of all investment types of the District at August 31, 2019:

	<u>Market Value</u>	<u>Weighted Average Maturity (In Days)</u>
Local Government Investment Pool:		
Lone Star Investment Pool:		
Corporate Overnight Plus Fund	\$ 14,017,692	44
Logic	<u>7,329,038</u>	47
Total local government investment pool	21,346,730	45
Certificates of deposit	<u>14,423</u>	394
Total investments	<u>\$ 21,361,153</u>	45

Credit Risk – As of August 31, 2019, 99.93% of the investment portfolio was invested in AAAM rated funds in the LGIP (2(a)7 like pools) and 0.07% are invested in certificates of deposits that are fully insured by the FDIC.

Interest rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the District's cash flow requirements.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Fair Value Measures

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District held no investments valued at fair market value as of August 31, 2019.

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The District made no direct investments in derivatives during the year ended August 31, 2019, and holds no direct investments in derivatives at August 31, 2019.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND UNEARNED REVENUES

Receivables and Allowances

Receivables as of August 31, 2019, for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 932,139	\$ 27,208	\$	\$ 959,347
Receivables from other governments	<u>2,968,743</u>	<u> </u>	<u>80,177</u>	<u>3,048,920</u>
Gross receivables	3,900,882	27,208	80,177	4,008,267
Less: allowance for uncollectibles	<u>607,541</u>	<u>26,935</u>	<u> </u>	<u>634,476</u>
Net receivables	<u>\$ 3,293,341</u>	<u>\$ 273</u>	<u>\$ 80,177</u>	<u>\$ 3,373,791</u>

Receivables/Payables from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to, partially or fully, finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. All federal grants shown below are passed through the TEA or other state agency and are reported on the combined financial statements as either Receivable from or to Other Governments, as applicable.

Amounts due from federal, state, and local governments as of August 31, 2019 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
Major Governmental Funds:			
General fund	\$ 2,968,743	\$	\$ 2,968,743
Other funds	<u> </u>	<u>80,177</u>	<u>80,177</u>
Total	<u>\$ 2,968,743</u>	<u>\$ 80,177</u>	<u>\$ 3,048,920</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)

Deferred Outflows and Inflows of Resources/Unearned Revenue

Governmental Funds

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of August 31, 2019, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 298,545	\$
Delinquent property taxes receivable (debt service fund)	273	
Advance Funding:		
Federal food commodities	<u> </u>	<u>2,152</u>
Total deferred/unearned revenue from governmental funds	<u>\$ 298,818</u>	<u>\$ 2,152</u>

Governmental Activities

Governmental activities defer the recognition of pension and OPEB expense for contributions made subsequent to the measurement date to the current year-end of August 31, 2019 and report these as deferred outflows of resources. Governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of August 31, 2019, the various components of deferred inflows and outflows of resources and unearned revenue reported in the governmental activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
TRS pension deferred outflows and inflows	\$ 1,784,069	\$ 195,160	\$
TRS-Care OPEB deferred outflows and inflows	567,569	1,354,755	
TRS pension contributions subsequent to the measurement date	235,633		
TRS-Care OPEB contributions subsequent to the measurement date	62,512		
Advance Funding:			
Federal food commodities	<u> </u>	<u> </u>	<u>2,152</u>
Totals	<u>\$ 2,649,783</u>	<u>\$ 1,549,915</u>	<u>\$ 2,152</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at August 31, 2019 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>08-31-19</u>
General Fund	Debt Service Fund	\$ 500
General Fund	Other Governmental Funds	<u>50,854</u>
		<u>\$ 51,354</u>

Interfund Transfers

Interfund transfers for the year ended August 31, 2019 consisted of the following individual fund transfers in and transfers out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>59,351</u>
		<u>\$ 59,351</u>

The District approved transfers to cover the shortfall in the National School Breakfast and Lunch Program.

NOTE 5. CAPITAL ASSETS

Changes in Capital Assets and Accumulated Depreciation

The following provides a summary of changes in capital assets and accumulated depreciation for the year ended August 31, 2019:

	<u>September 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers & Adjustments</u>	<u>August 31, 2019</u>
Non-Depreciated Capital Assets:					
Land	\$ 423,398	\$ 25,064,471	\$	\$	\$ 423,398
Construction in progress	<u>3,324,969</u>	<u>25,064,471</u>	<u></u>	<u>(2,535,382)</u>	<u>25,854,058</u>
Total non-depreciated	<u>3,748,367</u>	<u>25,064,471</u>	<u>-0-</u>	<u>(2,535,382)</u>	<u>26,277,456</u>
Depreciated Capital Assets:					
Buildings and improvements	8,965,276	74,302	214,974	2,535,382	11,359,986
Furniture, equipment and vehicles	<u>2,566,589</u>	<u>272,112</u>	<u>24,680</u>	<u></u>	<u>2,814,021</u>
Total depreciated	<u>11,531,865</u>	<u>346,414</u>	<u>239,654</u>	<u>2,535,382</u>	<u>14,174,007</u>
Total additions/transfers and retirements		<u>\$ 25,410,885</u>	<u>\$ 239,654</u>	<u>\$ -0-</u>	

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 5. CAPITAL ASSETS (Continued)

Changes in Capital Assets and Accumulated Depreciation (Continued)

	September 1, 2018	Additions	Retirements	Transfers & Adjustments	August 31, 2019
Accumulated Depreciation:					
Buildings and improvements	6,495,945	\$ 313,628	\$ 192,689	\$	\$ 6,616,884
Furniture, equipment and vehicles	<u>1,921,674</u>	<u>110,873</u>	<u>24,680</u>	<u></u>	<u>2,007,867</u>
Total accumulated depreciation	<u>8,417,619</u>	<u>\$ 424,501</u>	<u>\$ 217,369</u>	<u>\$ -0-</u>	<u>8,624,751</u>
Net depreciated assets	<u>3,114,246</u>				<u>5,549,256</u>
Net capital assets	<u>\$ 6,862,613</u>				<u>\$ 31,826,712</u>

See Note 1 for additional information regarding capital assets.

Depreciation Expense

In accordance with requirements of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, depreciation expense of the governmental activities was charged to functions as follows:

Data Control Codes	Function	Amount
0011	Instruction	\$ 214,011
0012	Instructional resources and media services	3,778
0013	Curriculum and instructional staff development	2,446
0021	Instructional leadership	4,436
0023	School leadership	21,936
0031	Guidance, counseling, and evaluation services	8,002
0033	Health services	4,940
0034	Student transportation	11,865
0035	Food service	27,303
0036	Extracurricular activities	26,345
0041	General administration	26,985
0051	Facilities maintenance and operations	61,307
0052	Security and monitoring services	4,350
0053	Data processing services	<u>6,797</u>
	Total depreciation expense	<u>\$ 424,501</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 5. CAPITAL ASSETS (Continued)

Governmental Fund Construction Commitments

At August 31, 2019, the District had the following construction commitments:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Commitment</u>
New Elementary School	\$ 22,463,227	\$ 4,986,903	\$ 17,476,324
New High School, Middle School & Ag Building	53,282,808	18,987,293	34,295,515
Renovation to the Auditorium & Gymnasium	4,620,360	653,095	3,967,265
Renovation to the Football Stadium	<u>2,939,674</u>	<u>2,726,000</u>	<u>213,674</u>
	<u>\$ 61,007,267</u>	<u>\$ 27,353,291</u>	<u>\$ 55,952,778</u>

NOTE 6. LONG-TERM DEBT

Loans

Short-term debts are accounted for through the appropriate fund, and consist of notes made in accordance with the provisions of the Texas Education Code. The District was not a party to any loan transactions during the year ended August 31, 2019.

General Obligation Bonds

Long-term debt includes contractual obligations. Contractual obligations are issued at parity with general obligation bonds, but carry a secondary revenue stream pledge; however, all certificates of obligation are tax, not revenue, supported. This debt, unlike other tax-supported debt, can be issued without a vote of the citizens. Bond premiums and discounts, and gains and losses on refunding are amortized using the straight-line method.

The following is a summary of the District's general obligation bonded debt as of August 31, 2019:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Date Callable</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2017	\$ 9,600,000	2043	2027	3.125 - 4.125	\$ 9,365,000
2018	<u>38,085,000</u>	2044	2028	3.000 - 5.000	<u>35,885,000</u>
Total	<u>\$ 47,685,000</u>				<u>\$ 45,250,000</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 6. LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2020	\$ 2,655,000	\$ 1,777,113	\$ 4,432,113
2021	2,655,000	1,646,913	4,301,913
2022	2,610,000	1,517,963	4,127,963
2023	2,580,000	1,391,038	3,971,038
2024	2,435,000	1,268,638	3,703,638
2025-2029	10,495,000	4,707,697	15,202,697
2030-2034	9,570,000	2,744,259	12,314,259
2035-2039	8,410,000	1,245,734	9,655,734
2040-2044	<u>3,840,000</u>	<u>291,078</u>	<u>4,131,078</u>
Totals	<u>\$ 45,250,000</u>	<u>\$ 16,590,433</u>	<u>\$ 61,840,433</u>

Bond indebtedness of the District is recorded in the governmental activities statement of net position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Proceeds of long-term issues are reflected as "Other Resources" in the operating statement of the recipient fund.

There are limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2019.

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended August 31, 2019 was as follows:

	<u>Balance 09-01-18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 08-31-19</u>	<u>Due Within One Year</u>
Long-Term Debt:					
General obligation bonds	\$ 47,685,000	\$	\$ 2,435,000	\$ 45,250,000	\$ 2,665,000
Net pension liability	1,922,282	1,856,957	217,960	3,561,279	
Net OPEB liability	3,518,623	824,732	59,191	4,284,164	
Premium on general obligation bonds	<u>2,693,453</u>		<u>138,181</u>	<u>2,555,272</u>	<u>105,293</u>
	<u>\$ 55,819,358</u>	<u>\$ 2,681,689</u>	<u>\$ 2,850,332</u>	<u>\$ 55,650,715</u>	<u>\$ 2,770,293</u>

The General Fund has been used to liquidate the net pension liability and net OPEB liability.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 7. DEFINED BENEFIT PENSION PLANS

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) and 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 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-supposed education institutions in Texas who are employed for one-half or more of the standard work load 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

Detail 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. The report may be obtained on the Internet at <http://www.trs.state.tx.us/amount/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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 credit 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.

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' 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.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 7. DEFINED BENEFIT PENSION PLANS (Continued)

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 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer # 1344 – 2019 Employer Contributions	\$	235,633
Employer # 1344 – 2019 Member Contributions	\$	588,736
Employer # 1344 – 2019 NECE On-behalf Contributions	\$	405,588
Employer # 1344 – 2019 Medicare Part D	\$	28,276

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 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 age surcharge.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 7. DEFINED BENEFIT PENSION PLANS (Continued)

- 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.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	2.50%
Benefit changes during the year	None
Ad-hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69%. 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 statutory required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments after the date. 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2019

NOTE 7. DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation*	Long-Term Expected Geometric Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value:			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return:			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity:			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag ***			-0.79%
Total	100.00%		7.25%

* Target allocations are based on the FY2016 policy model.

** Capital market assumptions come from Aon Hewitt (2017 Q4)

*** The volatility drag results 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 (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the Net pension liability	\$ <u>5,374,824</u>	\$ <u>3,561,279</u>	\$ <u>2,093,107</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 7. DEFINED BENEFIT PENSION PLANS (Continued)

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

At August 31, 2019, the District reported a liability of \$ 3,561,279 for its proportionate share of 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	\$ 3,561,279
State's proportionate share that is associated with the District	<u>1,814,976</u>
Total	<u>\$ 5,376,255</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0064700614% which was an increase of 0.0000045816% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actual Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed by TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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, 2019, the District recognized pension expense of \$ 580,022 and revenue of \$ 405,588 for support provided by the State.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 7. DEFINED BENEFIT PENSION PLANS (Continued)

At August 31, 2019, the District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 22,198	\$ 87,380
Changes in actuarial assumptions	1,284,013	40,125
Difference between projected and actual investment earnings		67,573
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	477,858	82
Contributions paid to TRS subsequent to the measurement date	<u>235,633</u>	<u> </u>
Total	<u>\$ 2,019,702</u>	<u>\$ 195,160</u>

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

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2020	\$ 417,016
2021	274,815
2022	235,416
2023	265,094
2024	240,073
Thereafter	156,495

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in a separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. The report may be obtained on the Internet at <http://www.trs.state.tx.us/amount/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents are not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees
 Effective September 1, 2018 thru December 31, 2018

	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded as a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Contribution Rates

	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Employer # 1344 – 2019 Employer Contributions	\$	62,512
Employer # 1344 – 2019 Member Contributions	\$	49,699
Employer # 1344 – 2019 NECE On-behalf Contributions	\$	86,936

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB Program). When hiring a TRS retiree, employers are required to pay TRS Care, a monthly surcharge of \$ 535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$ 182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$ 212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$ 394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actual valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in this report.

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2018 TRS annual pension actuarial valuation:

- Rates of Mortality
- Rates of Retirement
- Rates of Termination
- Rates of Disability
- General Inflation
- Wage Inflation
- Expected Payroll Growth

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The Post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate*	3.69%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Payroll Growth Rate	3.00%
Projected Salary Increases**	3.05% to 9.05%**
Healthcare Trend Rates***	6.75% to 11.00%***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

* Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018

** Includes Inflation at 2.30%

*** Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years.

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$ 850 / \$ 2,292 were indexed annually by 2.50%
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The project of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate (2.69%)</u>	<u>Discount Rate (3.69%)</u>	<u>1% Increase in Discount Rate (4.69%)</u>
District's proportionate share of the Net OPEB Liability	\$ <u>5,099,627</u>	\$ <u>4,284,164</u>	\$ <u>3,639,080</u>

Healthcare Cost Trend Rates Sensitivity Analysis

The following schedules presents the District's proportional share of the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% greater than and 1% less than the assumed healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the Net OPEB Liability	\$ <u>3,558,068</u>	\$ <u>4,284,164</u>	\$ <u>5,240,448</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2019, the District reported a liability of \$ 4,284,164 for its proportionate share of TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 4,284,164
State's proportionate share that is associated with the District	<u>2,460,198</u>
Total	<u>\$ 6,744,362</u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2019 the employer's proportion of the collective net OPEB liability was 0.0085801832% compared to 0.0080913463% as of August 31, 2018.

Changes since the prior Actual Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

1. Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
2. The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
3. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB liability.
4. The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB liability \$ 2.3 billion.
5. Changes in Benefit Terms Since the Prior Measurement Date - The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:
 - Created a high-deductible health plan that provides zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
 - Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
 - Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
 - Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
 - Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$ 200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of \$ 229,203 and revenue of \$ 58,019 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 227,345	\$ 67,610
Changes in actuarial assumptions	71,491	1,287,145
Difference between projected and actual investment earnings	749	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	267,984	
Contributions paid to TRS subsequent to the measurement date	<u>62,512</u>	
Total	\$ <u>630,081</u>	\$ <u>1,354,755</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 8. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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

<u>Year Ended August 31,</u>	<u>OPEB Expense Amount</u>
2020	\$ (135,277)
2021	(135,277)
2022	(135,277)
2023	(135,418)
2024	(135,499)
Thereafter	(110,438)

NOTE 9. GENERAL FUND FEDERAL SOURCE REVENUES

Following is a schedule of federal source revenue recorded in the General Fund.

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Total</u>
Direct Costs:		
School Health and Related Services (SHARS)	---	\$ 575,747
Medical Assistance Program	93.778	4,988
Disaster Grants – Public Assistance	97.036	<u>44,448</u>
		<u>\$ 625,183</u>

The School Health and Related Services (SHARS) funds is not considered federal financial assistance for inclusion in the Schedule of Federal Financial Awards.

NOTE 10. LOCAL AND INTERMEDIATE REVENUES

During the year ended August 31, 2019, local and intermediate revenues for governmental funds consisted of the following:

	<u>Major Funds</u>				<u>Total</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	
Property taxes	\$ 5,957,178	\$ 4,369,393	\$	\$	\$ 10,326,571
Food sales				220,346	220,346
Investment income	231,431	11,348	1,141,664	30	1,384,473
Penalties, interest and other tax related income	117,400	10,346			127,746
Co-curricular income	36,156				36,156
Enterprise activities				41,999	41,999
Grants and contributions				32,782	32,782
Other	<u>6,369,171</u>				<u>6,369,171</u>
Total	<u>\$ 12,711,336</u>	<u>\$ 4,391,087</u>	<u>\$ 1,141,664</u>	<u>\$ 295,157</u>	<u>\$ 18,539,244</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 11. RISK MANAGEMENT

Property Casualty

During the year ended August 31, 2019, the District 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, 2019, 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, 2019 is available for inspection at the Property Casualty Alliance of Texas' office.

Workers' Compensation

During the year ended August 31, 2019, 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 incurred but not reserved are projected estimates, based on the experience history of the association.

Unemployment Compensation

During the year ended August 31, 2019, the District 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, 2018 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
YEAR ENDED AUGUST 31, 2019

NOTE 12. LITIGATION AND CONTINGENCIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2019 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 13. SHARED SERVICE ARRANGEMENTS

The District participates in a shared service arrangement (“SSA”) for the Special Education Grants to States and Special Education Preschool Grants, for federally funded special education services with Bay City Independent School District (the “Fiscal Agent”). The District accounts for a very small portion of the revenues and expenditures in this program in a special revenue fund, however, the District does not account for the majority of the revenues and expenditures and does not disclose them in the notes to the financial statements. The District does not have a joint ownership interest in fixed assets purchased by the Fiscal Agent, nor does the District have a net equity interest in the Fiscal Agent. The Fiscal Agent is neither accumulating significant financial resources and does not have any financial 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 related to the SSA. The audited annual financial report for the SSA may be obtained by writing Bay City Independent School District, 520 7th Street, Bay City, TX 77414 or by calling 979-245-5766.

NOTE 14. TAX ABATEMENTS

The District enters into appraised value limitations with local businesses under the Texas Economic Development Act (Tax Code Chapter 313). Under the Act, an appraised value limitation is an agreement in which a taxpayer agrees to build or install property and create jobs in exchange for a 10-year limitation on the taxable property value for the District’s maintenance and operations tax (M&O) purposes. The minimum limitation value varies by District. The application for a limitation on the appraised value for M&O purposes is submitted directly to the District and requires an application fee that is established by the District. Tax credits are applicable only to applications determined to be complete prior to January 1, 2014. To qualify for a tax credit, a separate application must be submitted to the District after property taxes for the last complete year of the qualifying time period are paid. The credit is for M&O taxes paid in excess of the limitation amount in each complete year of the qualifying time period. The District’s tax collector must credit the overage in equal parts over the last seven years of the agreement, but the credit in each year may not exceed 50 percent of the total taxes paid on the qualified property during that year. Any eligible amount not credited during the seven-year period are to be credited over the following three years, but the amount credited in each year may not exceed the total taxes paid on the qualified property in that year. The following is a brief description of the agreement as of August 31, 2019:

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019

NOTE 14. TAX ABATEMENTS (Continued)

The District entered in an agreement with Maverick Tube Company dba Tenaris USA on July 21, 2014. In addition to the tax abatement, Maverick Tube Company has committed to the payment in lieu of taxes program. The agreement and all supporting documentation was assigned Texas Comptroller Application No. 284. The following are the details of the agreement for the year ended August 31, 2019. The total project value is \$ 1,500,000,000, the projects value limitation is \$ 10,000,000, applicant's M&O taxes paid \$ 668,225, applicant's M&O taxes reduced \$ 11,905,253, Company PILOT payment to the District \$ 99,000 and Company's hold harmless payment to the District in the amount of \$ 4,159,972.

NOTE 15. SUBSEQUENT EVENT

The District has evaluated subsequent events through December 17, 2019, the date which the financial statements were available to be issued.

On December 1, 2019, the District issued \$ 28,235,000 of Series 2019 Unlimited Tax School Building Bonds for the construction, renovation, and equipment of school buildings and the purchase of new school buses, maturing in 2045. The bonds have stated interest rates of 2.50% - 5.00%. The bonds are to be paid from annual ad valorem interest and bonded indebtedness.

The following is a schedule of principal maturity for the Series 2019 Unlimited Tax School Building Bonds:

<u>Maturing February 15</u>	<u>Principal</u>
2020	\$ -0-
2021	650,000
2022	685,000
2023	725,000
2024	795,000
2025-2029	4,490,000
2030-2034	5,595,000
2035-2039	6,365,000
2040-2044	7,330,000
2045	<u>1,600,000</u>
Total	<u>\$ 28,235,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019**

Exhibit G-1

Data Control Codes	General Fund				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	\$ 10,583,364	\$ 12,667,771	\$ 12,711,336	\$ 43,565
5800	State program revenues	3,979,344	4,251,877	4,564,372	312,495
5900	Federal program revenues	<u>220,000</u>	<u>652,829</u>	<u>625,183</u>	<u>(27,646)</u>
5020	Total revenues	<u>14,782,708</u>	<u>17,572,477</u>	<u>17,900,891</u>	<u>328,414</u>
EXPENDITURES:					
Current:					
0011	Instruction	7,075,694	6,035,059	5,989,244	45,815
0012	Instructional resources and media services	113,278	98,278	90,945	7,333
0013	Curriculum and instructional staff development	70,491	35,421	26,955	8,466
0021	Instructional leadership	190,013	134,113	132,950	1,163
0023	School leadership	702,195	724,195	721,849	2,346
0031	Guidance, counseling, and evaluation services	313,070	351,370	343,586	7,784
0033	Health services	163,036	180,840	178,197	2,643
0034	Student transportation	436,447	491,447	433,575	57,872
0035	Food service	1,545	1,545		1,545
0036	Extracurricular activities	614,946	851,142	795,127	56,015
0041	General administration	647,733	682,833	677,020	5,813
0051	Facilities maintenance and operations	1,340,110	4,205,110	4,209,639	(4,529)
0052	Security and monitoring services	126,848	197,648	181,509	16,139
0053	Data processing services	228,762	238,762	232,571	6,191
0061	Community services	8,150	3,150	2,401	749
0093	Payments related to shared services arrangements	258,536	258,536	258,536	-0-
0099	Other intergovernmental charges	<u>99,510</u>	<u>133,915</u>	<u>133,913</u>	<u>2</u>
6030	Total expenditures	<u>12,390,364</u>	<u>14,623,364</u>	<u>14,408,017</u>	<u>215,347</u>
1100	Excess of revenues over expenditures	<u>2,392,344</u>	<u>2,949,113</u>	<u>3,492,874</u>	<u>543,761</u>
OTHER FINANCING USES:					
8911	Operating transfers out		(126,517)	(59,351)	67,166
	Total other financing uses	<u>-0-</u>	<u>(126,517)</u>	<u>(59,351)</u>	<u>67,166</u>
1200	Net change in fund balances	2,392,344	2,822,596	3,433,523	610,927
0100	Fund balances – beginning	<u>11,109,294</u>	<u>11,109,294</u>	<u>11,109,294</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 13,501,638</u>	<u>\$ 13,931,890</u>	<u>\$ 14,542,817</u>	<u>\$ 610,927</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS – COST SHARING EMPLOYER PLAN
FOR THE LAST TEN MEASUREMENT YEARS ENDED AUGUST 31 (1)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.0036287%	0.0057668%	0.0059264%	0.0060119%
District's proportionate share of the net pension liability	\$ 969,276	\$ 2,038,487	\$ 2,239,490	\$ 1,922,282
State's proportionate share of the net pension liability associated with the District	<u>585,360</u>	<u>1,095,633</u>	<u>1,181,075</u>	<u>996,062</u>
Total	<u>\$ 1,554,636</u>	<u>\$ 3,134,120</u>	<u>\$ 3,420,565</u>	<u>\$ 2,918,344</u>
District's covered employee payroll	\$ 6,273,110	\$ 6,151,110	\$ 6,604,142	\$ 7,586,453
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	15.45%	33.14%	33.91%	25.34%
Plan fiduciary net position as a percentage of total pension liability	83.25%	78.43%	78.00%	82.17%

(1) Ten years of data should be presented in this schedule but data is unavailable prior to 2014. Net pension liability and related ratios will be presented prospectively as data becomes available.

2018

0.0064701%

\$ 3,561,279

1,814,976

\$ 5,376,255

\$ 7,304,460

48.75%

73.74%

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED CONTRIBUTIONS -
COST SHARING EMPLOYER PLAN
FOR THE LAST TEN YEARS ENDED AUGUST 31 (1)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contributions	\$ 170,758	\$ 187,866	\$ 197,075	\$ 239,619
Contributions in relation to the contractually required contribution	<u>170,758</u>	<u>187,866</u>	<u>197,075</u>	<u>239,619</u>
Contribution deficiency (excess)	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>
District's covered employee payroll	\$ 6,151,110	\$ 6,604,142	\$ 7,586,453	\$ 7,304,460
Contributions as a percentage of covered employee payroll	2.78%	2.84%	2.60%	3.28%

(1) The first TRS actuarial report was completed for the year ended August 31, 2014 (measurement date). Therefore, only five years of required supplementary information is available.

2019

\$ 235,633

235,633

\$ -0-

\$ 7,643,218

3.08%

VAN VLECK INDEPENDENT SCHOOL DISTRICT

Exhibit G-4

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
AND RELATED RATIOS - COST SHARING EMPLOYER PLAN
FOR THE LAST TEN MEASUREMENT YEARS ENDED AUGUST 31 (1)**

	<u>2017</u>	<u>2018</u>
District's proportion of the net OPEB Liability	0.00809135%	0.00858018%
District's proportionate share of the net OPEB liability	\$ 3,518,623	\$ 4,284,164
State's proportionate share of the net OPEB liability associated with the District	<u>2,056,327</u>	<u>2,460,198</u>
Total	<u>\$ 5,574,950</u>	<u>\$ 6,744,362</u>
District's covered employee payroll	\$ 7,586,453	\$ 7,304,460
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	46.38%	58.65%
Plan fiduciary net position as a percentage of total OPEB liability	0.91%	1.57%

(1) Ten years of data should be presented in this schedule but data is unavailable prior to 2017. Net OPEB liability and related ratios will be presented prospectively as data becomes available.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED OPEB CONTRIBUTIONS - COST SHARING
EMPLOYER PLAN
FOR THE LAST TEN YEARS ENDED AUGUST 31 (1)

Exhibit G-5

	<u>2018</u>	<u>2019</u>
Contractually required contributions	\$ 51,978	\$ 62,512
Contributions in relation to the contractually required contribution	<u>51,978</u>	<u>62,512</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 7,304,460	\$ 7,643,218
Contributions as a percentage of covered employee payroll	0.71%	0.82%

(1) This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

THIS PAGE LEFT BLANK INTENTIONALLY.

OTHER SUPPLEMENTARY INFORMATION

VAN VLECK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes	Special					
	211 ESEA Title I Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National School Breakfast and Lunch Program	255 ESEA Title II Part A Teacher and Principal	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:						
1110	Cash and cash equivalents	\$	\$	\$	\$ 9,288	\$
1120	Current investments					
1240	Receivable from other governments	24,676	13,103	959	25,979	2,478
1300	Inventories				20,734	
1000	Total assets	<u>24,676</u>	<u>13,103</u>	<u>959</u>	<u>56,001</u>	<u>2,478</u>
DEFERRED OUTFLOWS OF RESOURCES						
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 24,676</u>	<u>\$ 13,103</u>	<u>\$ 959</u>	<u>\$ 56,001</u>	<u>\$ 2,478</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$	\$	\$	\$ 1,453	\$
2160	Accrued wages payable	17,845	13,103	959	21,355	2,478
2170	Due to other funds	6,831			31,041	
2300	Unearned revenue				2,152	
2000	Total liabilities	<u>24,676</u>	<u>13,103</u>	<u>959</u>	<u>56,001</u>	<u>2,478</u>
DEFERRED INFLOWS OF RESOURCES						
2600	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:						
Non-Spendable:						
3410	Inventories				20,734	
Restricted:						
3490	Other					
Committed:						
3545	Other					
Unassigned:						
3600	Unassigned				(20,734)	
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,676</u>	<u>\$ 13,103</u>	<u>\$ 959</u>	<u>\$ 56,001</u>	<u>\$ 2,478</u>

Revenue Funds							
270	289	410	429	461	479	480	481
ESEA Title VI Part B, Subpart 2 Rural School	Federally Funded Special Revenue Fund	State Textbook Fund	State Funded Special Revenue Fund	Campus Activity Funds	Gulf Coast Medical Grant Fund	Trull Foundation Grant Fund	Conoco Phillips Grant Funds
\$	\$	\$ 1,851	\$	\$ 69,301	\$ 8,585 14,423	\$ 2,000	\$ 11,544
11,162	1,820						
<u>11,162</u>	<u>1,820</u>	<u>1,851</u>	<u>-0-</u>	<u>69,301</u>	<u>23,008</u>	<u>2,000</u>	<u>11,544</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 11,162</u>	<u>\$ 1,820</u>	<u>\$ 1,851</u>	<u>\$ -0-</u>	<u>\$ 69,301</u>	<u>\$ 23,008</u>	<u>\$ 2,000</u>	<u>\$ 11,544</u>
\$	\$	\$	\$	\$	\$	\$	\$
11,162	1,820						
<u>11,162</u>	<u>1,820</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
		1,851			23,008	2,000	11,544
				69,301			
<u>-0-</u>	<u>-0-</u>	<u>1,851</u>	<u>-0-</u>	<u>69,301</u>	<u>23,008</u>	<u>2,000</u>	<u>11,544</u>
<u>\$ 11,162</u>	<u>\$ 1,820</u>	<u>\$ 1,851</u>	<u>\$ -0-</u>	<u>\$ 69,301</u>	<u>\$ 23,008</u>	<u>\$ 2,000</u>	<u>\$ 11,544</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019

Exhibit H-1
Page 2 of 2

		<u>Special Revenue Funds</u>		
		485	486	
Data Control Codes		Powerset Program Fund	WIT Program Fund	Total Nonmajor Governmental (See C-1)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
1110	Cash and cash equivalents	\$ 899	\$ 3,618	\$ 107,086
1120	Current investments			14,423
1240	Receivables from other governments			80,177
1300	Inventories			<u>20,734</u>
1000	Total assets	<u>899</u>	<u>3,618</u>	<u>222,420</u>
DEFERRED OUTFLOWS OF RESOURCES				
1700	Deferred outflows of resources			
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Total assets and deferred outflows of resources	<u>\$ 899</u>	<u>\$ 3,618</u>	<u>\$ 222,420</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
2110	Accounts payable	\$	\$	\$ 1,453
2160	Accrued wages payable			55,740
2170	Due to other funds			50,854
2300	Unearned revenue			<u>2,152</u>
2000	Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>110,199</u>
DEFERRED INFLOWS OF RESOURCES				
2600	Deferred inflows of resources			
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:				
Non-Spendable:				
3430	Inventories			20,734
Restricted:				
3490	Other	899	3,618	42,920
Committed:				
3545	Other			69,301
Unassigned				
3600	Unassigned			<u>(20,734)</u>
3000	Total fund balances	<u>899</u>	<u>3,618</u>	<u>112,221</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 899</u>	<u>\$ 3,618</u>	<u>\$ 222,420</u>

THIS PAGE LEFT BLANK INTENTIONALLY.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		Special				
		211 ESEA Title I Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National School Breakfast and Lunch Program	255 ESEA Title II Part A Teacher and Principal
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$ 220,346	\$
5800	State program revenues				20,244	
5900	Federal program revenues	<u>227,555</u>	<u>116,803</u>	<u>8,131</u>	<u>484,905</u>	<u>27,325</u>
5020	Total revenues	<u>227,555</u>	<u>116,803</u>	<u>8,131</u>	<u>725,495</u>	<u>27,325</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	223,764	116,803	8,131		26,879
0012	Instructional resources and media services					
0013	Curriculum and instructional staff development				300	
0021	Instructional leadership	3,606				446
0023	School leadership					
0031	Guidance, counseling and evaluation services					
0034	Student transportation	185				
0035	Food service				777,668	
0036	Extracurricular activities					
0041	General administration					
0051	Facilities maintenance and operations				20,052	
0052	Security and monitoring services					
0061	Community services					
6030	Total expenditures	<u>227,555</u>	<u>116,803</u>	<u>8,131</u>	<u>798,020</u>	<u>27,325</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(72,525)</u>	<u>-0-</u>
	OTHER FINANCING SOURCES:					
7915	Operating transfers in				59,351	
	Total other financing sources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>59,351</u>	<u>-0-</u>
1200	Net changes in fund balances	-0-	-0-	-0-	(13,174)	-0-
0100	Fund balances - beginning	-0-	-0-	-0-	13,174	-0-
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Revenue Funds

270	289	410	429	461	479	480	481
ESEA Title VI Part B, Subpart 2 Rural School	Federally Funded Special Revenue Fund	State Textbook Fund	State Funded Special Revenue Fund	Campus Activity Funds	Gulf Coast Medical Grant Fund	Trull Foundation Grant Fund	Conoco Phillips Grant Funds
\$	\$	\$	\$	\$	\$	\$	\$
		56,068	371	41,999	30		15,000
<u>18,445</u>	<u>11,382</u>						
<u>18,445</u>	<u>11,382</u>	<u>56,068</u>	<u>371</u>	<u>41,999</u>	<u>30</u>	<u>-0-</u>	<u>15,000</u>
12,501	3,588	55,488	371	11,529			4,872
1,478	5,900	285		3,931			
4,107	74						
359				7,989			
	570			456			
				4,279			
		295		2,117			
				100			
	1,250			250			
<u>18,445</u>	<u>11,382</u>	<u>56,068</u>	<u>371</u>	<u>30,651</u>	<u>-0-</u>	<u>-0-</u>	<u>4,872</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11,348</u>	<u>30</u>	<u>-0-</u>	<u>10,128</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11,348</u>	<u>30</u>	<u>-0-</u>	<u>10,128</u>
<u>-0-</u>	<u>-0-</u>	<u>1,851</u>	<u>-0-</u>	<u>57,953</u>	<u>22,978</u>	<u>2,000</u>	<u>1,416</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,851</u>	<u>\$ -0-</u>	<u>\$ 69,301</u>	<u>\$ 23,008</u>	<u>\$ 2,000</u>	<u>\$ 11,544</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, 2019

Data Control Codes		Special Revenue Funds		Total Nonmajor Governmental (See C-1)
		485	486	
		Powerset Program Fund	WIT Program Fund	
	REVENUES:			
5700	Local and intermediate sources	\$ 9,400	\$ 8,382	\$ 295,157
5800	State program revenues	14	38	76,735
5900	Federal program revenues			894,546
5020	Total revenues	<u>9,414</u>	<u>8,420</u>	<u>1,266,438</u>
	EXPENDITURES:			
	Current:			
0011	Instruction			463,926
0012	Instructional resources and media services			4,216
0013	Curriculum and instructional staff development			7,678
0021	Instructional leadership			8,233
0023	School leadership			8,348
0031	Guidance, counseling and evaluation services			570
0034	Student transportation			641
0035	Food service			777,668
0036	Extracurricular activities	8,629	6,769	19,677
0041	General administration			2,412
0051	Facilities maintenance and operations			20,152
0052	Security and monitoring services			1,250
0061	Community services			250
6030	Total expenditures	<u>8,629</u>	<u>6,769</u>	<u>1,315,021</u>
1100	Excess (deficiency) of revenues over expenditures	<u>785</u>	<u>1,651</u>	<u>(48,583)</u>
	OTHER FINANCING SOURCES:			
7915	Operating transfers in			59,351
	Total other financing sources	<u>-0-</u>	<u>-0-</u>	<u>59,351</u>
1200	Net changes in fund balances	785	1,651	10,768
0100	Fund balances - beginning	<u>114</u>	<u>1,967</u>	<u>101,453</u>
3000	Fund balances - ending	<u>\$ 899</u>	<u>\$ 3,618</u>	<u>\$ 112,221</u>

THIS PAGE LEFT BLANK INTENTIONALLY.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2019

Years Ended August 31,	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance September 1, 2018
	Maintenance	Debt Service		
2010 and Prior	\$ Various	\$ Various	\$ Various	\$ 341,981
2011	1.040000		520,525,385	36,388
2012	1.040000		513,686,635	36,474
2013	1.040000		501,441,731	44,230
2014	1.040000		517,330,000	48,383
2015	0.988400		606,755,969	60,893
2016	1.034100		696,059,859	77,396
2017	1.014000		937,273,858	80,380
2018	1.014000		580,839,879	197,985
2019 (School Year Under Audit)	1.040000	0.213250	603,917,108	
1000 Totals				\$ <u>924,110</u>

Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2019
\$	\$ 3,432	\$ 9	\$ (118,774)	\$ 219,766
	2,032	-0-	(258)	34,098
	1,702	-0-	(405)	34,367
	-0-	-0-	(3,098)	41,132
	-0-	-0-	(10,175)	38,208
	3,996	-0-	(5,203)	51,694
	7,087	-0-	(8,290)	62,019
	27,127	-0-	27,362	80,615
	69,753	-0-	(9,730)	118,502
10,471,944	5,809,043	4,369,384	(14,571)	278,946
\$ 10,471,944	\$ 5,924,172	\$ 4,369,393	\$(143,142)	\$ 959,347

VAN VLECK INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2019**

Exhibit J-4

Data Control Codes	National School Breakfast and Lunch Program				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and intermediate sources	\$ 192,000	\$ 217,604	\$ 220,346	\$ 2,742
5800	State program revenues	19,273	20,454	20,244	(210)
5900	Federal program revenues	<u>426,673</u>	<u>461,078</u>	<u>484,905</u>	<u>23,827</u>
5020	Total revenues	<u>637,946</u>	<u>699,136</u>	<u>725,495</u>	<u>26,359</u>
EXPENDITURES:					
Current:					
0013	Curriculum and instructional staff development		300	300	-0-
0035	Food service	662,253	803,653	777,668	25,985
0051	Facilities maintenance and operations	<u>8,000</u>	<u>21,700</u>	<u>20,052</u>	<u>1,648</u>
6030	Total expenditures	<u>670,253</u>	<u>825,653</u>	<u>798,020</u>	<u>27,633</u>
1100	Deficiency of revenues over expenditures	(32,307)	(126,517)	(72,525)	53,992
OTHER FINANCING SOURCES:					
7915	Operating transfers in		<u>126,517</u>	<u>59,351</u>	(67,166)
	Total other financing sources	<u>-0-</u>	<u>126,517</u>	<u>59,351</u>	(67,166)
1200	Net change in fund balances	(32,307)	-0-	(13,174)	(13,174)
0100	Fund balances – beginning	<u>13,174</u>	<u>13,174</u>	<u>13,174</u>	<u>-0-</u>
3000	Fund balances (deficit) – ending	<u>\$(19,133)</u>	<u>\$ 13,174</u>	<u>\$ -0-</u>	<u>\$(13,174)</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2019

Exhibit J-5

Data Control Codes		Debt Service Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 4,390,614	\$ 4,390,614	\$ 4,391,087	\$ 473
5020	Total revenues	4,390,614	4,390,614	4,391,087	473
	EXPENDITURES:				
	Current:				
0041	General administration		60	59	1
0071	Debt service - principal	2,435,000	2,435,000	2,435,000	-0-
0071	Debt service - interest and fees	1,903,500	1,903,440	1,902,876	564
6030	Total expenditures	4,338,500	4,338,500	4,337,935	565
1200	Net change in fund balances	52,114	52,114	53,152	1,038
0100	Fund balances – beginning	13,770	13,770	13,770	-0-
3000	Fund balances – ending	\$ 65,884	\$ 65,884	\$ 66,922	\$ 1,038

THIS PAGE LEFT BLANK INTENTIONALLY.

FEDERAL AWARDS SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.



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*

To the Board of Trustees
Van Vleck Independent School District
Van Vleck, Texas 77482

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 (the "District"), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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*.

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



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.

KM&L, LLC

Lake Jackson, Texas
December 17, 2019



Independent Auditor's Report

On Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
Van Vleck Independent School District
Van Vleck, Texas 77482

Report on Compliance for Each Major Federal Program

We have audited Van Vleck Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Van Vleck Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KM&L, LLC

Lake Jackson, Texas
December 17, 2019

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019

I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None
4. No internal control findings, required to be reported in this schedule, were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified.
6. Did the audit disclose findings, which are required to be reported in accordance with 2 CFR 200.516(a): No.
7. Major programs include:
 - Child Nutrition Cluster:
 - School Breakfast Program – CFDA 10.553
 - National School Lunch Program – CFDA 10.555

1. Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000.
2. Low risk auditee: No.

II. Findings related to the financial statements

The audit disclosed no findings required to be reported.

III. Findings and questioned costs related to the federal awards.

The audit disclosed no findings required to be reported.

Van Vleck Independent School District

In accordance with Title 2 U.S. Code of Federal Regulations §200.511, the auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. This summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

The schedule of status of prior audit findings is as follows:

None.

Van Vleck Independent School District

In accordance with Title 2 U.S. Code of Federal Regulations §200.511, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan must be presented to address each finding included in the current year auditor's reports. The corrective action plan is as follows:

None.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

Exhibit K-1
Page 1 of 2

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010A	19610101158906	\$ 209,710
Title I Grants to Local Educational Agencies	84.010A	20610101158906	<u>17,845</u>
			<u>227,555</u>
Passed Through Bay City Independent School District:			
Special Education – Grants to States*	84.027A	---	103,700
Special Education – Grants to States*	84.027A	---	<u>13,103</u>
			<u>116,803</u>
Passed Through Bay City Independent School District:			
Special Education – Preschool Grants*	84.173A	---	7,172
Special Education – Preschool Grants*	84.173A	---	<u>959</u>
			<u>8,131</u>
Passed Through State Department of Education:			
Rural Education	84.358A	19696001158906	<u>18,445</u>
			<u>18,445</u>
Passed Through State Department of Education:			
Supporting Effective Instruction State Grants	84.367A	19694501158906	24,847
Supporting Effective Instruction State Grants	84.367A	20694501158906	<u>2,478</u>
			<u>27,325</u>
Passed Through State Department of Education:			
Student Support and Academic Enrichment Program	84.424A	19680101158906	<u>11,382</u>
			<u>11,382</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 409,641</u>
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program **	10.555	158906	<u>\$ 38,730</u>
			<u>38,730</u>
Passed Through State Department of Education:			
School Breakfast Program **	10.553	71401801	23,680
School Breakfast Program **	10.553	71401901	158,043
National School Lunch Program **	10.555	71301801	26,827
National School Lunch Program **	10.555	71301901	<u>237,625</u>
			<u>446,175</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 484,905</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

Exhibit K-1
Page 2 of 2

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Health & Human Services</u>			
Passed Through State Department of Human Services:			
Medical Assistance Program	93.778	---	\$ <u>4,988</u>
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			\$ <u>4,988</u>
 <u>U.S. Department of Homeland Security</u>			
Direct Programs:			
Disaster Grants - Public Assistance	97.036	4332-DR-TX	\$ <u>44,448</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			\$ <u>44,448</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>943,982</u>
*, ** - Cluster Programs			
RECONCILIATION:			
Federal Program Revenues (Exhibit C-2)			\$ 1,519,729
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards			(<u>575,747</u>)
Total federal financial assistance (Schedule of expenditures of Federal Awards)			\$ <u>943,982</u>

See notes to supplemental Schedule of Expenditures of Federal Awards

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019

NOTE 1 – BASIS OF ACCOUNTING

The District accounts for all awards under federal programs in the General and certain special revenue funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

Commodity Supplement Program (CFDA 10.555) received like kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of goods received was \$ 38,863, while the monetary value of goods used and recognized as income and expenditures was \$ 38,730.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 3 – FEDERAL INDIRECT RATE

The District has elected to use the 10 percent de minimis indirect cost rate.

NOTE 4 – DISASTER GRANTS – PUBLIC ASSISTANCE

As of August 31, 2019, the District included \$ 44,448 on the schedule of expenditures of federal awards from the Disaster Grants - Public Assistance CFDA 97.036 for expenditures that were incurred in previous fiscal year. The Federal Emergency Management Agency approved the project worksheets related to the \$ 44,448 in the current year.

SCHEDULE FOR ELECTRONIC FILING

THIS PAGE LEFT BLANK INTENTIONALLY.

VAN VLECK INDEPENDENT SCHOOL DISTRICT*REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS*
AUGUST 31, 2019*SCHEDULE L-1**Page 1 of 1*

<u>Code</u>	<u>Questions</u>	<u>Responses</u>
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 on the financial statements as a whole?	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 government agencies?	Yes
SF8	Did the school district not 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	Total accumulated accretion on CABs included in the government-wide financial statements a fiscal year-end.	\$ -0-
SF11	Net pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 3,561,279

THIS PAGE LEFT BLANK INTENTIONALLY.