

VAN VLECK
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2011



Van Vleck Independent School District

Van Vleck Independent School District
Annual Financial Report
For The Year Ended August 31, 2011

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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, 2011, at a meeting of the board of trustees of such school district on the 23 day of January, 2012

Jessie Austin
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 as necessary)



Van Vleck Independent School District

Financial Section



Van Vleck Independent School District

Reed & Associates, PC

Certified Public Accountants

1717 8th Street, Suite 5

Bay City, Texas 77414

(979) 245-7361 Fax (979) 245-3081

Independent Auditor's Report on Financial Statements

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Vleck Independent School District as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Van Vleck Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Van Vleck Independent School District as of August 31, 2011, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated January 4, 2012, on our consideration of Van Vleck Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Van Vleck Independent School District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and other supplementary information 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

A handwritten signature in cursive script that reads "Reed & Associates, PC".

Reed & Associates, PC
January 4, 2012

Management's Discussion and Analysis

This discussion and analysis of the Van Vleck Independent School District's financial statements provides a narrative overview of the District's financial activities for the fiscal year ended August 31, 2011. The information presented here should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

District-wide Financial Analysis

The District's net assets at August 31, 2011 and 2010 are summarized as follows:

VAN VLECK INDEPENDENT SCHOOL DISTRICT'S NET ASSETS

	Governmental Activities		Variance
	8/31/2011	8/31/2010	
Current and other assets	\$ 2,794,454	\$ 2,739,452	\$ 55,002
Capital assets	4,698,634	3,831,368	867,266
Total assets	<u>7,493,088</u>	<u>6,570,820</u>	<u>922,268</u>
Other liabilities	359,435	375,999	(16,564)
Long-term liabilities outstanding	1,211,734	520,000	691,734
Total liabilities	<u>1,571,169</u>	<u>895,999</u>	<u>675,170</u>
Net assets:			
Invested in capital assets, net of related debt	3,486,900	3,311,368	175,532
Restricted	164,455	297,869	(133,414)
Unrestricted	2,270,564	2,065,584	204,980
Total net assets	<u>\$ 5,921,919</u>	<u>\$ 5,674,821</u>	<u>\$ 247,098</u>

Net assets may serve over time as a useful indicator of a district's financial position. In the case of Van Vleck Independent School District, assets exceeded liabilities by \$5,921,919 at the close of the most recent fiscal year, August 31, 2011.

A large portion of the District's net assets (58 percent) reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services to students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities

An additional portion of the District's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (39 percent) may be used to meet the District's ongoing obligations to educate the school-age children of Van Vleck.

The District's unrestricted net assets increased by \$204,980 as a result of the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenditures as explained further below. Amounts invested in capital assets, net of related debt increased \$175,532 due primarily to the addition of a school bus and other equipment during the year. Restricted net assets decreased \$133,414 due to the implementation of GASB 54 and the reclassification of campus activity and national school lunch net assets from restricted to committed and the spending down of \$80,401 in one-time private donor grant from the prior year.

The District's governmental activities as of August 31, 2011 and 2010 are summarized as follows:

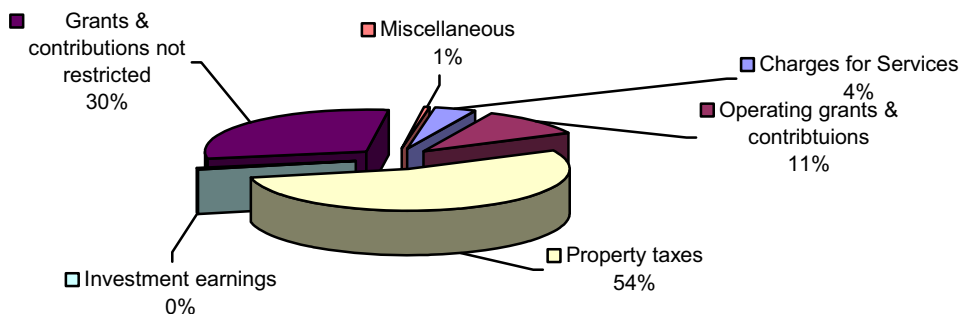
VAN VLECK INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	Governmental Activities		Variance
	8/31/2011	8/31/2010	
Revenues:			
Program Revenues:			
Charges for services	\$ 408,723	\$ 408,130	\$ 593
Operating grants & contributions	1,581,083	1,621,123	(40,040)
General Revenues:			
Property taxes	5,513,647	5,885,231	(371,584)
Investment earnings	11,988	13,097	(1,109)
Grants & contributions not restricted for specific purpose	3,413,353	3,037,289	376,064
Miscellaneous	11,082	10,505	577
Total revenues	<u>10,939,876</u>	<u>10,975,375</u>	<u>(35,499)</u>
Expenses:			
Instruction	5,802,929	5,981,326	(178,397)
Instructional resources and media	183,429	152,002	31,427
Curriculum and staff development	31,656	37,979	(6,323)
Instructional leadership	83,752	15	83,737
School leadership	599,252	551,457	47,795
Guidance and counseling	231,940	229,762	2,178
Health services	83,454	85,246	(1,792)
Student transportation	329,278	323,415	5,863
Food service	584,687	572,644	12,043
Extracurricular activities	519,417	584,752	(65,335)
General administration	517,624	516,903	721
Plant maintenance and operations	1,282,716	1,356,044	(73,328)
Security and monitoring services	60,786	57,614	3,172
Data processing services	20,344	17,310	3,034
Interest on long-term debt	25,775	25,672	103
Bond issuance costs and fees	6,448	6,439	9
Shared Service Payments	180,333	140,269	40,064
Other Intergovernmental Charge:	54,327	56,870	(2,543)
Total expenses	<u>10,598,147</u>	<u>10,695,719</u>	<u>(97,572)</u>
Increase in net assets	341,729	279,656	62,073
Net assets, beginning	5,674,822	5,395,165	279,657
Prior period adjustment	(94,632)	-	(94,632)
Net assets ending	<u>\$ 5,921,919</u>	<u>\$ 5,674,821</u>	<u>\$ 247,098</u>

Governmental activities. Governmental activities increased the District’s net assets by \$341,729 compared to the prior year increase of \$279,656 and a prior period adjustment of \$94,632; Key elements comparing current to prior year are as follows:

- Property tax values decreased over \$42,000,000 while the tax rate was increased from 1.01 per \$100 to 1.04 per \$100 resulting in an overall decrease in tax revenue of \$371,584.
- Unrestricted grants and contributions increased \$376,064 primarily due to the decrease in property tax revenue noted above as well as an increase in ADA from 901 to 913. This is part of the state funding formula for equalization.
- The District paid an early resignation incentive to Chapter 21 term contract employees of \$101,486. However, due to a decrease in staff for the year through attrition and placement in other functions instructional costs actually decrease \$178,397.
- Instructional leadership costs were up due to the reassignment of a prior year counselor into the new created position of curriculum director.
- Extracurricular costs were down \$65,361 due to attrition in coaching staff resulting in lower payroll costs of over \$27,000, a decrease in supplies of over \$18,000 and a decrease in trip costs of over \$14,000.
- Plant maintenance and operation costs were down \$73,328 due to a decrease in insurance premium for the year of over \$25,000, a prior year asphalt project at a cost of over \$23,000 and a reduction in utility costs for the year of over \$23,000.

Revenues by Source - Governmental Activities



Financial Analysis of the District’s Funds

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

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

At the end of the current fiscal year the District’s governmental funds reported combined ending fund balances of \$1,987,436, an increase of \$141,726 over the prior year fund balance after restatement. \$1,762,107 of this total constitutes unrestricted fund balance, while \$119,615 is non-spendable representing prepaid expenditures, \$44,840 is restricted by outside sources and \$60,874 has been committed by the Board of Directors for campus activities and the national school lunch program.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$1,762,107. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unrestricted fund balance represents 17 percent of total general fund expenditures.

The fund balance of the general fund increased by \$213,161 compared to the prior year increase of \$153,506 and a prior period adjustment of (\$94,632). Key elements comparing current year to prior year are as follows:

- The majority of the increase over the prior year is in revenue. While local sources decreased \$278,797 primarily in property tax revenue, state funding increased \$466,625.
- Although the District paid \$101,486 in early resignation incentives as described above, instructional costs were down overall by \$181,690 due to attrition and shifting of personnel into other areas. Maintenance and operations costs were down \$123,850 due to a decrease in utility and insurance costs during the year while student transportation costs increased \$135,770 primarily due to the purchase of a bus and two suburbans for the year.

General Fund Budgetary Highlights. The Board of Trustees approved budget amendments throughout the year increasing estimated revenue \$106,002 and appropriations by the same amount. The most significant amendments were a decrease in instructional costs of \$121,552, an increase in student transportation of \$61,392, an increase in extracurricular activities of \$93,500 and an increase in plant maintenance of \$36,500. The increases to student transportation and extracurricular activities were for capital outlay items to include two new vehicles and a weight room that were intended to come from fund balance. However, due to increased anticipated state funds, the District was able to maintain a balanced amended budget.

Actual Revenues were less than budgetary estimates by a \$33,822 while actual expenditures exceeded appropriations by \$699,751. Some of the more significant variances are described below:

- Local revenue fell short of expectations by \$37,783
- The District entered into a capital lease agreement to retrofit the District facilities at a cost of \$946,748. This represented a non-cash transaction the District did not budget with an offsetting other resource of the same amount.

Debt Administration

Debt administration events during the current fiscal year included scheduled principal payments of \$245,000 and the addition of the capital lease agreement to retrofit the District facilities of \$946,734.

Capital Assets

	Governmental Activities		Variance
	8/31/2011	8/31/2010	
Land	\$ 423,398	\$ 423,398	\$ -
Buildings & Improvements	8,493,316	7,372,520	1,120,796
Equipment	836,514	783,449	53,065
Vehicles	1,123,105	990,713	132,392
Totals	10,876,333	9,570,080	1,306,253
Less accumulated depreciation	(6,177,698)	(5,738,712)	(438,986)
	<u>\$ 4,698,635</u>	<u>\$ 3,831,368</u>	<u>\$ 867,267</u>

The most significant transaction in capital assets during the year was the addition of \$946,748 of District-wide retrofitting projects including HVAC, Lighting, Windows and roofing.

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient, effective and controlled use of the District's resources. The 2011-2012 budget is tight due to a decrease in ADA along with a reduction in state funds due to a change in the funding formula. Factors affecting the 2012 Budget were as follows:

- The Van Vleck ISD budget is based on a tax rate of \$1.04 for the 2011-2012 school year
- The District contracted with Way Company for facility and energy improvements for the District. The customized improvement program should reduce the ongoing maintenance and operations expenditures in the District.
- The District financed the energy management project noted above at a cost of \$946,734. Payments of \$35,485 will be made quarterly beginning October 2011 and ending July 2019.
- Payroll costs decreased due to attrition.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Van Vleck Independent School District, Attention: Superintendent, PO Drawer 0, Van Vleck, Tx 77482 or call 979-245-8518.

Basic Financial Statements



Van Vleck Independent School District

VAN VLECK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AUGUST 31, 2011

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 1,217,402
1120	<i>Current Investments</i>	14,423
1225	<i>Property Taxes Receivable (Net)</i>	458,181
1240	<i>Due from Other Governments</i>	975,017
1250	<i>Accrued Interest</i>	37
1290	<i>Other Receivables (Net)</i>	1,030
1300	<i>Inventories</i>	8,749
1410	<i>Deferred Expenses</i>	119,615
Capital Assets:		
1510	<i>Land</i>	423,398
1520	<i>Buildings and Improvements, Net</i>	3,869,015
1530	<i>Furniture and Equipment, Net</i>	406,221
1000	Total Assets	<u>7,493,088</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	3,784
2140	<i>Interest Payable</i>	10,599
2165	<i>Accrued Liabilities</i>	339,607
2300	<i>Unearned Revenue</i>	5,445
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	357,877
2502	<i>Due in More Than One Year</i>	853,857
2000	Total Liabilities	<u>1,571,169</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	3,486,900
Restricted For:		
3890	Deferred Expenditures	119,615
Other Purposes		
3890	Expendable	30,840
3890	Nonexpendable	14,000
3900	Unrestricted	2,270,564
3000	Total Net Assets	<u>\$ 5,921,919</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 5,802,929	\$ 114,405	\$ 1,037,672	\$ (4,650,852)	
12	<i>Instructional Resources and Media Services</i>	183,429	18,653	8,249	(156,527)	
13	<i>Curriculum and Staff Development</i>	31,656	788	1,785	(29,083)	
21	<i>Instructional Leadership</i>	83,752	--	10,769	(72,983)	
23	<i>School Leadership</i>	599,252	19,644	25,975	(553,633)	
31	<i>Guidance, Counseling, & Evaluation Services</i>	231,940	--	12,139	(219,801)	
33	<i>Health Services</i>	83,454	48	18,884	(64,522)	
34	<i>Student Transportation</i>	329,278	--	14,335	(314,943)	
35	<i>Food Service</i>	584,687	197,497	395,213	8,023	
36	<i>Cocurricular/Extracurricular Activities</i>	519,417	49,268	11,330	(458,819)	
41	<i>General Administration</i>	517,624	5,111	18,652	(493,861)	
51	<i>Plant Maintenance and Operations</i>	1,282,716	3,309	24,394	(1,255,013)	
52	<i>Security and Monitoring Services</i>	60,786	--	1,379	(59,407)	
53	<i>Data Processing Services</i>	20,344	--	307	(20,037)	
72	<i>Interest on Long-term Debt</i>	25,775	--	--	(25,775)	
73	<i>Bond Issuance Costs and Fees</i>	6,448	--	--	(6,448)	
93	<i>Payments Related to Shared Services Arrangements</i>	180,333	--	--	(180,333)	
99	<i>Other Intergovernmental Charges</i>	54,327	--	--	(54,327)	
TG	Total Governmental Activities	10,598,147	408,723	1,581,083	(8,608,341)	
TP	Total Primary Government	\$ 10,598,147	\$ 408,723	\$ 1,581,083	(8,608,341)	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				5,513,647	
IE	<i>Investment Earnings</i>				11,988	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				3,413,353	
MI	<i>Miscellaneous</i>				11,082	
TR	Total General Revenues				8,950,070	
CN	Change in Net Assets				341,729	
NB	Net Assets - Beginning				5,674,822	
PA	Prior Period Adjustment				(94,632)	
	Net Assets - Beginning, as Restated				5,580,190	
NE	Net Assets - Ending				\$ 5,921,919	

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 1,119,784	\$ 97,618	\$ 1,217,402
1120	Current Investments	--	14,423	14,423
1225	Taxes Receivable, Net	458,181	--	458,181
1240	Due from Other Governments	850,656	124,361	975,017
1250	Accrued Interest	--	37	37
1260	Due from Other Funds	95,808	--	95,808
1290	Other Receivables	1,030	--	1,030
1300	Inventories	--	8,749	8,749
1410	Deferred Expenditures	119,615	--	119,615
1000	Total Assets	<u>\$ 2,645,074</u>	<u>\$ 245,188</u>	<u>\$ 2,890,262</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 3,784	\$ --	\$ 3,784
2150	Payroll Deductions & Withholdings	6,179	1,124	7,303
2160	Accrued Wages Payable	253,313	37,096	290,409
2170	Due to Other Funds	--	95,809	95,809
2200	Accrued Expenditures	41,895	--	41,895
2300	Deferred Revenue	458,181	5,445	463,626
2000	Total Liabilities	<u>763,352</u>	<u>139,474</u>	<u>902,826</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3430	Prepaid Items	119,615	--	119,615
Restricted Fund Balances:				
3490	Other Restrictions of Fund Balance	--	44,840	44,840
Committed Fund Balances:				
3545	Other Committed Fund Balance	--	60,874	60,874
3600	Unassigned	1,762,107	--	1,762,107
3000	Total Fund Balances	<u>1,881,722</u>	<u>105,714</u>	<u>1,987,436</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,645,074</u>	<u>\$ 245,188</u>	<u>\$ 2,890,262</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 AUGUST 31, 2011*

Total fund balances - governmental funds balance sheet	\$ 1,987,436
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,698,634
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	458,181
Payables for capital leases which are not due in the current period are not reported in the funds.	(946,734)
Payables for note interest which are not due in the current period are not reported in the funds.	(10,598)
Payables for notes which are not due in the current period are not reported in the funds.	<u>(265,000)</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 5,921,919</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 5,575,909	\$ 393,950	\$ 5,969,859
5800 State Program Revenues	3,834,647	31,633	3,866,280
5900 Federal Program Revenues	14,061	1,079,784	1,093,845
5020 Total Revenues	<u>9,424,617</u>	<u>1,505,367</u>	<u>10,929,984</u>
EXPENDITURES:			
Current:			
0011 Instruction	4,784,332	848,871	5,633,203
0012 Instructional Resources and Media Services	157,664	19,390	177,054
0013 Curriculum and Staff Development	27,516	2,547	30,063
0021 Instructional Leadership	76,953	6,798	83,751
0023 School Leadership	557,116	19,007	576,123
0031 Guidance, Counseling, & Evaluation Services	222,303	--	222,303
0033 Health Services	79,833	46	79,879
0034 Student Transportation	447,979	118	448,097
0035 Food Service	13,517	569,927	583,444
0036 Cocurricular/Extracurricular Activities	572,496	15,412	587,908
0041 General Administration	490,999	4,945	495,944
0051 Plant Maintenance and Operations	1,164,795	89,741	1,254,536
0052 Security and Monitoring Services	59,859	--	59,859
0053 Data Processing Services	19,618	--	19,618
0071 Principal on Long-term Debt	255,000	--	255,000
0072 Interest on Long-term Debt	16,098	--	16,098
0073 Bond Issuance Costs and Fees	418	--	418
0081 Capital Outlay	946,748	--	946,748
0093 Payments to Shared Service Arrangements	180,333	--	180,333
0095 Payments to Juvenile Justice Alternative			
0095 Education Programs	30,286	--	30,286
0099 Other Intergovernmental Charges	54,327	--	54,327
6030 Total Expenditures	<u>10,158,190</u>	<u>1,576,802</u>	<u>11,734,992</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(733,573)</u>	<u>(71,435)</u>	<u>(805,008)</u>
Other Financing Sources and (Uses):			
7913 Proceeds from Capital Leases	946,734	--	946,734
7080 Total Other Financing Sources and (Uses)	<u>946,734</u>	<u>--</u>	<u>946,734</u>
1200 Net Change in Fund Balances	<u>213,161</u>	<u>(71,435)</u>	<u>141,726</u>
0100 Fund Balances - Beginning	1,763,193	177,149	1,940,342
1300 Prior Period Adjustment	(94,632)	--	(94,632)
Fund Balances - Beginning, as Restated	<u>1,668,561</u>	<u>177,149</u>	<u>1,845,710</u>
3000 Fund Balances - Ending	<u>\$ 1,881,722</u>	<u>\$ 105,714</u>	<u>\$ 1,987,436</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011*

Net change in fund balances - total governmental funds	\$ 141,726
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,306,254
The depreciation of capital assets used in governmental activities is not reported in the funds.	(438,986)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	40,178
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	255,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(6,030)
(Increase) decrease in accrued interest from beginning of period to end of period.	(9,677)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(946,736)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 341,729</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2011

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Scholarship Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 11,322	\$ 46,474
1000	Total Assets	<u>\$ 11,322</u>	<u>\$ 46,474</u>
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ --	\$ 46,474
2400	<i>Payable from Restricted Assets</i>	1,000	--
2000	Total Liabilities	<u>1,000</u>	<u>46,474</u>
	NET ASSETS		
3800	<i>Held in Trust</i>	10,322	--
3000	Total Net Assets	<u>\$ 10,322</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2011

	Private- Purpose Trusts
Additions:	
Gifts & Bequests	\$ 2,791
Total Additions	<u>2,791</u>
Deductions:	
Scholarship Awards	<u>5,100</u>
Total Deductions	<u>5,100</u>
Change in Net Assets	(2,309)
Net Assets-Beginning of the Year	12,631
Net Assets-End of the Year	<u>\$ 10,322</u>

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Government-wide and Fund Financial Statements

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

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

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

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

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

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

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

3. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

The Public Funds Investment Act and local policy authorizes the County to invest in obligations of the US Treasury, certificates of deposit, repurchase agreements, commercial paper, mutual funds and public funds investment pools.

Investments for the District are reported at fair value. Public funds investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The First Public Lone Star Investment Pool is a 2a7-like pool managed by a board of eleven trustees consisting of current pool participants.

b. Property Taxes

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

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

e. Interfund Activity

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

f. Use of Estimates

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

g. Data Control Codes

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds may be classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form or legally required to remain intact.

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Fund balance policy:

On August 15, 2011, the Board of Trustees adopted the following general fund unrestricted fund balance policies:

- 1) The District shall classify fund balance amounts in accordance with the classifications established by the Governmental Accounting Standards Board, Statement No. 54 (GASB 54).
- 2) Fund balance amounts shall only be reported as committed after the Board has approved this action. In addition, any amounts reported as committed shall not be altered or removed without formal action of the Board.
- 3) Funds that are intended to be used for a specific purpose but for which the Board has not taken formal action to commit shall be recorded to the assigned fund balance. The District's business manager shall be authorized to record funds to the assigned fund balance category and redeploy assigned resources for an alternative use.
- 4) When expenditures are incurred that would qualify as expenditures of either a restricted fund balance or the unrestricted fund balance categories (committed, assigned, unassigned), those expenditures shall first be applied to the restricted fund balance category.

In regard to the unrestricted fund balance categories, expenditures shall first be applied to the committed, then to assigned, and then to the unassigned fund balance.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

- 5) In order to preserve financial stability, the District must be prepared to respond to cash flow shortages, large or unexpected one-time expenditures, changes in the economy, and changes in state funding. The District shall, therefore, target for its fund balance between 17 percent (60 days) and 25 percent (90 days) of total operating expenditures.
- 6) Following any year in which the audited fund balance falls outside of the targeted range listed above or below the minimum requirement, adjustments in budgeted expenditures shall be incorporated into the budget development process for that year. If the Board determines that the minimum targeted fund balance is not attainable in the proposed budget being considered, it shall be the goal of the Board to reach that level within a specified period of time, not to exceed two years.

The governing board committed fund balances as follows:

	Aggregate Remaining
Food Service Program	\$ 22,135
Campus Activities	38,739
	<u>\$ 60,874</u>

Fund balances are restricted for the following purposes:

	Aggregate Remaining
JJAEP Cooperative	\$ 16,484
Donor Restrictions:	
Powerset program	805
WIT program	1,033
Conoco Phillips - technology	4,137
Gulf Coast Medical - student medical needs	22,381
	<u>\$ 44,840</u>

B. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$361,114 and the bank balance was \$435,789. The District's cash deposits at August 31, 2011 and during the year ended August 31, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Credit Risk</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	Aaa	\$ 927,988
Certificate of Deposit	< 1 year	N/A	14,423
Total Investments			<u>\$ 942,411</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

C. Capital Assets

Capital asset activity for the year ended August 31, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 423,398	\$ --	\$ --	\$ 423,398
Total capital assets not being depreciated	<u>423,398</u>	<u>--</u>	<u>--</u>	<u>423,398</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	7,372,520	1,120,796	--	8,493,316
Equipment	783,449	53,065	--	836,514
Vehicles	990,713	132,392	--	1,123,105
Total capital assets being depreciated	<u>9,146,682</u>	<u>1,306,253</u>	<u>--</u>	<u>10,452,935</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,338,324)	(285,977)	--	(4,624,301)
Equipment	(641,826)	(81,471)	--	(723,297)
Vehicles	(758,562)	(71,538)	--	(830,100)
Total accumulated depreciation	<u>(5,738,712)</u>	<u>(438,986)</u>	<u>--</u>	<u>(6,177,698)</u>
Total capital assets being depreciated, net	<u>3,407,970</u>	<u>867,267</u>	<u>--</u>	<u>4,275,237</u>
Governmental activities capital assets, net	<u>\$ 3,831,368</u>	<u>\$ 867,267</u>	<u>\$ --</u>	<u>\$ 4,698,635</u>

Depreciation was charged to functions as follows:

Instruction	\$ 250,274
Instructional Resources and Media Services	6,375
Curriculum and Staff Development	1,593
Instructional Leadership	1
School Leadership	23,129
Guidance, Counseling, & Evaluation Services	9,637
Health Services	3,575
Student Transportation	13,573
Food Services	24,018
Extracurricular Activities	25,009
General Administration	21,680
Plant Maintenance and Operations	56,980
Security and Monitoring Services	2,416
Data Processing Services	726
	<u>\$ 438,986</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

D. Interfund Balances and Activities

1. Balances due to and due from other funds at August 31, 2011, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 95,808	Short-term loans

All amounts due are scheduled to be repaid within one year.

E. Long-Term Obligations

1. Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2011, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Maintenance tax notes	\$ 520,000	\$ --	\$ 255,000	\$ 265,000	\$ 265,000
Capital leases	--	946,734	--	946,734	92,877
Total governmental activities	\$ 520,000	\$ 946,734	\$ 255,000	\$ 1,211,734	\$ 357,877

2. Debt service requirements on long-term debt at August 31, 2011, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 265,000	\$ 5,499	\$ 270,499
Totals	\$ 265,000	\$ 5,499	\$ 270,499

The District issued maintenance tax notes in the amount of \$2,190,000 for facility upgrades and maintenance. Interest is payable semi-annually on February 15, and August 15 at a rate of 4% and the notes mature in 2012.

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 92,877	\$ 49,065	\$ 141,942
2013	106,875	35,067	141,942
2014	111,553	30,389	141,942
2015	116,436	25,506	141,942
2016	121,533	20,409	141,942
2017-2021	397,460	28,365	425,825
Totals	\$ 946,734	\$ 188,801	\$ 1,135,535

The District entered into a capital lease in the amount of \$946,734 for an Energy Conservation Project to include retrofitting facilities with new HVAC, lighting, windows and roofing. Schedule quarterly payments of \$35,485.50 are to begin October 15 2011 at an interest rate of 4.307% maturing July 15, 2019.

F. Risk Management

Self-Insured Workers Compensation

During the year ended August 31, 2011, the District met its statutory workers' compensation obligations through participation in a workers compensation pool administered by Claims Administrative Services, Inc. The pool provides statutory workers' compensation benefits to its members and their injured employees.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

The pool and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Pool's self-insured retention of \$225,000. For the year ended August 31, 2010, the pool purchased excess coverage from Safety National Casualty Corporation. Each participating District is responsible for claims up to a loss fund maximum which is determined annually. At that point, the pool kicks in up to the \$225,000 retention amount. The District will have no additional liability beyond their loss fund maximum each year.

Claims activity for the past two fiscal years are as follows:

	8/31/11	8/31/10
Unpaid claims, beginning	\$ 51,844	\$ 40,271
Incurred claims	23,163	54,256
Change in IBNR	(21,308)	6,596
Paid claims	(11,804)	(49,279)
Unpaid claims, ending	<u>\$ 41,895</u>	<u>\$ 51,844</u>

Property Casualty

During the year ended August 31, 2011, Van Vleck ISD met its statutory property casualty obligations through participation in the Property Casualty 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. As of February 28, 2011, the Fund carries a discounted reserve of \$5,700,000 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended February 28, 2011, 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, 2011 are available for inspection at the Fund's administrative offices.

Unemployment Compensation Pool

During the year ended August 31, 2011, Van Vleck ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for unemployment compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

G. Pension Plan

1. Plan Description

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

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2011, 2010 and 2009 were \$398,533, \$407,628 and \$387,061, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2011, 2010 and 2009 were \$78,187, \$78,997 and \$71,911, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$345,770 for the year ended August 31, 2011.

H. Retiree Health Care Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$58,872, \$60,669, and \$58,000, respectively, the active member contributions were \$40,476, \$41,400, and \$39,311, respectively, and the District's contributions were \$37,648, \$38,053, and \$35,741, respectively, which equaled the required contributions each year.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2011, 2010, and 2009, the subsidy payments received by TRS-Care on behalf of the District were \$16,651, \$15,767, and \$13,974, respectively.

I. Employee Health Care Coverage

During the year ended August 31, 2011, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$268 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

J. Commitments and Contingencies

1. Contingencies

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

K. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides alternative education for youth in Matagorda County who have committed an offense resulting in expulsion as defined in TEC section 37.007 to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Bay City ISD	\$ 56,657
Palacios ISD	11,690
Van Vleck ISD	16,945
Tidehaven ISD	853
Total	<u>\$ 86,145</u>

Shared Services Arrangement - Membership

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

Member Districts

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

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

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

Member Districts

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

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

L. Disaggregated Receivables

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

	General	Nonmajor Funds	Totals
Real Property Taxes	\$ 1,010,484	\$ --	\$ 1,010,484
Business Personal Property Taxes	619	--	619
Less allowance on taxes	(552,922)	--	(552,922)
	<u>\$ 458,181</u>	<u>\$ --</u>	<u>\$ 458,181</u>
Due from Other Governments:			
TEA	\$ 850,656	\$ 115,857	\$ 966,513
Other Governments	--	8,504	8,504
	<u>\$ 850,656</u>	<u>\$ 124,361</u>	<u>\$ 975,017</u>

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

M. Disaggregated Revenue

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

	General Fund	Other Governmental Fund	Totals
Property taxes	\$ 5,337,101	\$ --	\$ 5,337,101
Penalties & interest	136,371	--	136,371
Tuitions and fees	15,984	--	15,984
Investment earnings	11,749	404	12,153
Food service fees	--	199,737	199,737
Athletic receipts	33,339	--	33,339
Extra Curricular Activities	--	82,017	82,017
Other	41,366	--	41,366
Shared Service Arrangement Fees	--	77,259	77,259
Gifts & Bequests	--	34,533	34,533
	<u>\$ 5,575,910</u>	<u>\$ 393,950</u>	<u>\$ 5,969,860</u>

N. Prior Period Adjustment

The general fund unassigned fund balance was restated by \$94,632 to exclude prior year state revenue accrual for August days of school attendance. Per State guidance, the funds have not been appropriated and therefor do not meet the definition of available for modified accrual purposes.

Required Supplementary Information

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



Van Vleck Independent School District

VAN VLECK INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

Page 1 of 2

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 5,712,552	\$ 5,613,692	\$ 5,575,909	\$ (37,783)
5800	State Program Revenues	3,604,885	3,831,157	3,834,647	3,490
5900	Federal Program Revenues	35,000	13,590	14,061	471
5020	Total Revenues	9,352,437	9,458,439	9,424,617	(33,822)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,911,691	4,790,139	4,784,332	5,807
0012	Instructional Resources and Media Services	157,931	160,931	157,664	3,267
0013	Curriculum and Staff Development	60,895	42,251	27,516	14,735
	Total Instruction & Instr. Related Services	5,130,517	4,993,321	4,969,512	23,809
Instructional and School Leadership:					
0021	Instructional Leadership	76,037	77,037	76,953	84
0023	School Leadership	537,159	560,259	557,116	3,143
	Total Instructional & School Leadership	613,196	637,296	634,069	3,227
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	239,872	224,872	222,303	2,569
0033	Health Services	85,707	85,707	79,833	5,874
0034	Student (Pupil) Transportation	460,342	521,734	447,979	73,755
0035	Food Services	12,800	13,520	13,517	3
0036	Cocurricular/Extracurricular Activities	496,822	590,322	572,496	17,826
	Total Support Services - Student (Pupil)	1,295,543	1,436,155	1,336,128	100,027
Administrative Support Services:					
0041	General Administration	492,451	504,363	490,999	13,364
	Total Administrative Support Services	492,451	504,363	490,999	13,364
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,221,110	1,257,610	1,164,795	92,815
0052	Security and Monitoring Services	51,913	62,686	59,859	2,827
0053	Data Processing Services	19,700	19,700	19,618	82
	Total Support Services - Nonstudent Based	1,292,723	1,339,996	1,244,272	95,724
Debt Service:					
0071	Principal on Long-Term Debt	260,499	260,499	255,000	5,499
0072	Interest on Long-Term Debt	10,599	10,614	16,098	(5,484)
0073	Bond Issuance Costs and Fees	409	409	418	(9)
	Total Debt Service	271,507	271,522	271,516	6
Capital Outlay:					
0081	Capital Outlay	--	--	946,748	(946,748)
	Total Capital Outlay	--	--	946,748	(946,748)
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	180,500	180,500	180,333	167
0095	Payments to Juvenile Justice Alternative Education Programs	11,000	30,286	30,286	--
0099	Other Intergovernmental Charges	65,000	65,000	54,327	10,673
	Total Intergovernmental Charges	256,500	275,786	264,946	10,840

VAN VLECK INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
6030	Total Expenditures	<u>9,352,437</u>	<u>9,458,439</u>	<u>10,158,190</u>	<u>(699,751)</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>--</u>	<u>(733,573)</u>	<u>(733,573)</u>
	Other Financing Sources (Uses):				
7913	Proceeds from Capital Leases	<u>--</u>	<u>--</u>	<u>946,734</u>	<u>946,734</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>946,734</u>	<u>946,734</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>213,161</u>	<u>213,161</u>
0100	Fund Balance - Beginning	1,763,193	1,763,193	1,763,193	--
1300	Prior Period Adjustment	<u>--</u>	<u>--</u>	<u>(94,632)</u>	<u>(94,632)</u>
0100	Fund Balance - Beginning, as Restated	<u>1,763,193</u>	<u>1,763,193</u>	<u>1,668,561</u>	<u>(94,632)</u>
3000	Fund Balance - Ending	<u>\$ 1,763,193</u>	<u>\$ 1,763,193</u>	<u>\$ 1,881,722</u>	<u>\$ 118,529</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2011

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

The District exceeded budget in function 81 - capital outlay by \$946,748 due to recording a non-cash capital lease to retrofit the District facilities.



Van Vleck Independent School District

*Combining Statements and Budget Comparisons
as Supplementary Information*

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



Van Vleck Independent School District

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2011

Data Control Codes	Special Revenue Funds	Permanent Fund Gulf Coast Medical Grant	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 89,697	\$ 7,921	\$ 97,618
1120	Current Investments	--	14,423	14,423
1240	Due from Other Governments	124,361	--	124,361
1250	Accrued Interest	--	37	37
1300	Inventories	8,749	--	8,749
1000	Total Assets	<u>\$ 222,807</u>	<u>\$ 22,381</u>	<u>\$ 245,188</u>
LIABILITIES:				
Current Liabilities:				
2150	Payroll Deductions & Withholdings	\$ 1,124	\$ --	\$ 1,124
2160	Accrued Wages Payable	37,096	--	37,096
2170	Due to Other Funds	95,809	--	95,809
2300	Deferred Revenue	5,445	--	5,445
2000	Total Liabilities	<u>139,474</u>	<u>--</u>	<u>139,474</u>
FUND BALANCES:				
Restricted Fund Balances:				
3490	Other Restrictions of Fund Balance	22,459	22,381	44,840
Committed Fund Balances:				
3545	Other Committed Fund Balance	60,874	--	60,874
3000	Total Fund Balances	<u>83,333</u>	<u>22,381</u>	<u>105,714</u>
4000	Total Liabilities and Fund Balances	<u>\$ 222,807</u>	<u>\$ 22,381</u>	<u>\$ 245,188</u>



Van Vleck Independent School District

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Special Revenue Funds	Permanent Fund Gulf Coast Medical Grant	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 393,711	\$ 239	\$ 393,950
5800 <i>State Program Revenues</i>	31,633	--	31,633
5900 <i>Federal Program Revenues</i>	1,079,784	--	1,079,784
5020 Total Revenues	<u>1,505,128</u>	<u>239</u>	<u>1,505,367</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	848,871	--	848,871
0012 <i>Instructional Resources and Media Services</i>	19,390	--	19,390
0013 <i>Curriculum and Staff Development</i>	2,547	--	2,547
0021 <i>Instructional Leadership</i>	6,798	--	6,798
0023 <i>School Leadership</i>	19,007	--	19,007
0033 <i>Health Services</i>	46	--	46
0034 <i>Student Transportation</i>	118	--	118
0035 <i>Food Service</i>	569,927	--	569,927
0036 <i>Cocurricular/Extracurricular Activities</i>	15,412	--	15,412
0041 <i>General Administration</i>	4,945	--	4,945
0051 <i>Plant Maintenance and Operations</i>	89,741	--	89,741
6030 Total Expenditures	<u>1,576,802</u>	<u>--</u>	<u>1,576,802</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(71,674)	239	(71,435)
1200 Net Change in Fund Balances	<u>(71,674)</u>	<u>239</u>	<u>(71,435)</u>
0100 Fund Balances - Beginning	155,007	22,142	177,149
3000 Fund Balances - Ending	<u>\$ 83,333</u>	<u>\$ 22,381</u>	<u>\$ 105,714</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ 15,552
1240	Due from Other Governments	33,122	7,418	1,086	14,789
1300	Inventories	--	--	--	8,749
1000	Total Assets	<u>\$ 33,122</u>	<u>\$ 7,418</u>	<u>\$ 1,086</u>	<u>\$ 39,090</u>
LIABILITIES:					
Current Liabilities:					
2150	Payroll Deductions & Withholdings	\$ 205	\$ 450	\$ 32	\$ 207
2160	Accrued Wages Payable	4,000	6,968	1,054	11,303
2170	Due to Other Funds	28,917	--	--	--
2300	Deferred Revenue	--	--	--	5,445
2000	Total Liabilities	<u>33,122</u>	<u>7,418</u>	<u>1,086</u>	<u>16,955</u>
FUND BALANCES:					
Restricted Fund Balances:					
3490	Other Restrictions of Fund Balance	--	--	--	--
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	22,135
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>22,135</u>
4000	Total Liabilities and Fund Balances	<u>\$ 33,122</u>	<u>\$ 7,418</u>	<u>\$ 1,086</u>	<u>\$ 39,090</u>

255 ESEA Title II Training & Recruiting	266 ARRA Title XIV Fiscal Stabilization	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	287 Education Jobs Fund	404 Student Success Initiative
\$ 8,817	\$ --	\$ --	\$ --	\$ --
11,399	38,888	5,038	9,871	2,750
--	--	--	--	--
<u>\$ 20,216</u>	<u>\$ 38,888</u>	<u>\$ 5,038</u>	<u>\$ 9,871</u>	<u>\$ 2,750</u>
\$ --	\$ --	\$ --	\$ 168	\$ --
--	--	--	9,703	--
20,216	38,888	5,038	--	2,750
--	--	--	--	--
<u>20,216</u>	<u>38,888</u>	<u>5,038</u>	<u>9,871</u>	<u>2,750</u>
--	--	--	--	--
--	--	--	--	--
<u>20,216</u>	<u>38,888</u>	<u>5,038</u>	<u>9,871</u>	<u>2,750</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes	459 Juvenile Justice Alternative Ed Program	461 Campus Activity Funds
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 20,614	\$ 38,739
1240 <i>Due from Other Governments</i>	--	--
1300 <i>Inventories</i>	--	--
1000 Total Assets	<u>\$ 20,614</u>	<u>\$ 38,739</u>
LIABILITIES:		
Current Liabilities:		
2150 <i>Payroll Deductions & Withholdings</i>	\$ 62	\$ --
2160 <i>Accrued Wages Payable</i>	4,068	--
2170 <i>Due to Other Funds</i>	--	--
2300 <i>Deferred Revenue</i>	--	--
2000 Total Liabilities	<u>4,130</u>	<u>--</u>
FUND BALANCES:		
Restricted Fund Balances:		
3490 <i>Other Restrictions of Fund Balance</i>	16,484	--
Committed Fund Balances:		
3545 <i>Other Committed Fund Balance</i>	--	38,739
3000 Total Fund Balances	<u>16,484</u>	<u>38,739</u>
4000 Total Liabilities and Fund Balances	<u>\$ 20,614</u>	<u>\$ 38,739</u>

481 Conoco Phillips Grant	485 Powerset Program	486 WIT Program	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 4,137	\$ 805	\$ 1,033	\$ 89,697
--	--	--	124,361
--	--	--	8,749
<u>\$ 4,137</u>	<u>\$ 805</u>	<u>\$ 1,033</u>	<u>\$ 222,807</u>
\$ --	\$ --	\$ --	\$ 1,124
--	--	--	37,096
--	--	--	95,809
--	--	--	5,445
<u>--</u>	<u>--</u>	<u>--</u>	<u>139,474</u>
4,137	805	1,033	22,459
--	--	--	60,874
<u>4,137</u>	<u>805</u>	<u>1,033</u>	<u>83,333</u>
<u>\$ 4,137</u>	<u>\$ 805</u>	<u>\$ 1,033</u>	<u>\$ 222,807</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 199,738
5800 <i>State Program Revenues</i>	--	--	--	2,924
5900 <i>Federal Program Revenues</i>	129,133	118,366	8,256	383,540
5020 Total Revenues	<u>129,133</u>	<u>118,366</u>	<u>8,256</u>	<u>586,202</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	126,457	118,366	8,256	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	--	--
0021 <i>Instructional Leadership</i>	2,676	--	--	--
0023 <i>School Leadership</i>	--	--	--	--
0033 <i>Health Services</i>	--	--	--	--
0034 <i>Student Transportation</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	569,711
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--	--	7,116
6030 Total Expenditures	<u>129,133</u>	<u>118,366</u>	<u>8,256</u>	<u>576,827</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	--	9,375
1200 Net Change in Fund Balances	--	--	--	9,375
0100 Fund Balances - Beginning	--	--	--	12,760
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 22,135</u>

255 ESEA Title II Training & Recruiting	266 ARRA Title XIV Fiscal Stabilization	279 Enhancing Education Through Technology ARRA	283 IDEA - Part B Formula - ARRA	285 ESEA Title 1 Part Improving Basic Programs - ARRA
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
<u>36,658</u>	<u>297,631</u>	<u>67</u>	<u>85,746</u>	<u>10,516</u>
<u>36,658</u>	<u>297,631</u>	<u>67</u>	<u>85,746</u>	<u>10,516</u>
35,810	294,357	67	84,349	8,731
--	--	--	--	--
--	--	--	--	1,785
848	3,274	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	1,397	--
<u>36,658</u>	<u>297,631</u>	<u>67</u>	<u>85,746</u>	<u>10,516</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	287 Education Jobs Fund	404 Student Success Initiative	411 Technology Allotment
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	2,750	25,959
5900 <i>Federal Program Revenues</i>	9,871	--	--
5020 Total Revenues	<u>9,871</u>	<u>2,750</u>	<u>25,959</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	8,529	2,750	25,959
0012 <i>Instructional Resources and Media Services</i>	1,342	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	--
0021 <i>Instructional Leadership</i>	--	--	--
0023 <i>School Leadership</i>	--	--	--
0033 <i>Health Services</i>	--	--	--
0034 <i>Student Transportation</i>	--	--	--
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0041 <i>General Administration</i>	--	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--	--
6030 Total Expenditures	<u>9,871</u>	<u>2,750</u>	<u>25,959</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>
0100 Fund Balances - Beginning	<u>--</u>	<u>--</u>	<u>--</u>
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

459 Juvenile Justice Alternative Ed Program	461 Campus Activity Funds	480 Trull Foundation Grant	481 Conoco Phillips Grant	483 Carrie Rudd Trust
\$ 77,259	\$ 82,403	\$ --	\$ 12,000	\$ --
--	--	--	--	--
--	--	--	--	--
<u>77,259</u>	<u>82,403</u>	<u>--</u>	<u>12,000</u>	<u>--</u>
86,074	20,538	410	7,863	--
--	18,048	--	--	--
--	762	--	--	--
--	--	--	--	--
--	19,007	--	--	--
--	46	--	--	--
--	--	--	--	--
--	216	--	--	--
--	15,412	--	--	--
--	4,945	--	--	--
71	756	--	--	80,401
<u>86,145</u>	<u>79,730</u>	<u>410</u>	<u>7,863</u>	<u>80,401</u>
(8,886)	2,673	(410)	4,137	(80,401)
<u>(8,886)</u>	<u>2,673</u>	<u>(410)</u>	<u>4,137</u>	<u>(80,401)</u>
25,370	36,066	410	--	80,401
<u>\$ 16,484</u>	<u>\$ 38,739</u>	<u>\$ --</u>	<u>\$ 4,137</u>	<u>\$ --</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	485 Powerset Program	486 WIT Program	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 10,251	\$ 12,060	\$ 393,711
5800 <i>State Program Revenues</i>	--	--	31,633
5900 <i>Federal Program Revenues</i>	--	--	1,079,784
5020 Total Revenues	<u>10,251</u>	<u>12,060</u>	<u>1,505,128</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	9,328	11,027	848,871
0012 <i>Instructional Resources and Media Services</i>	--	--	19,390
0013 <i>Curriculum and Staff Development</i>	--	--	2,547
0021 <i>Instructional Leadership</i>	--	--	6,798
0023 <i>School Leadership</i>	--	--	19,007
0033 <i>Health Services</i>	--	--	46
0034 <i>Student Transportation</i>	118	--	118
0035 <i>Food Service</i>	--	--	569,927
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	15,412
0041 <i>General Administration</i>	--	--	4,945
0051 <i>Plant Maintenance and Operations</i>	--	--	89,741
6030 Total Expenditures	<u>9,446</u>	<u>11,027</u>	<u>1,576,802</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>805</u>	<u>1,033</u>	<u>(71,674)</u>
1200 Net Change in Fund Balances	<u>805</u>	<u>1,033</u>	<u>(71,674)</u>
0100 Fund Balances - Beginning	--	--	155,007
3000 Fund Balances - Ending	<u>\$ 805</u>	<u>\$ 1,033</u>	<u>\$ 83,333</u>

Other Supplementary Information

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2011*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2002 and Prior Years	\$	Various	\$	Various	\$	Various
2003		1.4748		--		231,893,070
2004		1.4748		--		236,898,927
2005		1.50		--		245,617,400
2006		1.4076		--		311,575,769
2007		1.28		--		405,648,203
2008		.98		--		438,256,327
2009		.9819		--		532,851,818
2010		1.01		--		562,900,000
2011 (School Year Under Audit)		1.04		--		520,525,385

1000 Totals

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

10 Beginning Balance 9/1/10	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/11
\$ 303,109	\$ --	\$ 10,116	\$ --	\$ (6,821)	\$ 286,172
26,009	--	1,605	--	(336)	24,068
33,199	--	2,374	--	(554)	30,271
35,906	--	4,710	--	(846)	30,350
39,283	--	4,633	--	(432)	34,218
63,392	--	9,617	--	(353)	53,422
68,476	--	13,199	--	(270)	55,007
130,723	--	31,547	--	(203)	98,973
263,858	--	117,628	--	(2,782)	143,448
--	5,413,464	5,141,672	--	(17,237)	254,555
<u>\$ 963,955</u>	<u>\$ 5,413,464</u>	<u>\$ 5,337,101</u>	<u>\$ --</u>	<u>\$ (29,834)</u>	<u>\$ 1,010,484</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

VAN VLECK INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011*

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION AND FUNCTION 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 167,898	\$ 205,042	\$ --	\$ 298	\$ 373,238
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	23,692	--	--	--	23,692
6212	Audit Services	--	--	--	12,500	--	--	12,500
6213	Tax Appraisal and Collection	--	54,327	--	--	--	--	54,327
621X	Other Prof. Services	--	17,475	--	13,484	--	--	30,959
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	1,250	--	--	--	1,250
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	594	8,882	--	--	9,476
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	140	--	--	140
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	40	--	7,519	9,408	--	--	16,967
6410	Travel, Subsistence, Stipends	3,395	--	4,599	1,991	--	--	9,985
6420	Ins. and Bonding Costs	--	--	--	5,978	--	--	5,978
6430	Election Costs	2,693	--	--	--	--	--	2,693
6490	Miscellaneous Operating	7,598	--	6,532	5,116	--	4,507	23,753
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 13,726 \$ 71,802 \$ 212,084 \$ 262,541 \$ -- \$ 4,805 \$ 564,958

Total Expenditures for General and Special Revenue Funds (9) \$ 11,734,992

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,275,963
Total Debt & Lease (6500)	(11)	\$ 271,516
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,254,536
Food (Function 35, 6341 and 6499)	(13)	\$ 254,543
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		<u>\$ 262,541</u>

Subtotal 3,319,099

Net Allowed Direct Cost \$ 8,415,893

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 8,493,315
Historical Cost of Buildings over 50 years old	(16)	803,662
Amount of Federal Money in Building Cost (Net of #16)	(17)	80,548
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,959,618
Historical Cost of Furniture & Equipment over 16 years old	(19)	136,317
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$14,687 in Function 53 expenditures and \$54,327 in Function 99 expenditures are included in this report on administrative costs.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 190,000	\$ 199,738	\$ 9,738
5800 <i>State Program Revenues</i>	2,756	2,924	168
5900 <i>Federal Program Revenues</i>	386,732	383,540	(3,192)
5020 Total Revenues	<u>579,488</u>	<u>586,202</u>	<u>6,714</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	570,982	569,711	1,271
Total Support Services - Student (Pupil)	<u>570,982</u>	<u>569,711</u>	<u>1,271</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	8,506	7,116	1,390
Total Support Services - Nonstudent Based	<u>8,506</u>	<u>7,116</u>	<u>1,390</u>
6030 Total Expenditures	<u>579,488</u>	<u>576,827</u>	<u>2,661</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	9,375	9,375
1200 Net Change in Fund Balance	--	9,375	9,375
0100 Fund Balance - Beginning	12,760	12,760	--
3000 Fund Balance - Ending	<u>\$ 12,760</u>	<u>\$ 22,135</u>	<u>\$ 9,375</u>



Van Vleck Independent School District

Reed & Associates, PC

Certified Public Accountants

1717 8th Street, Suite 5

Bay City, Texas 77414

(979) 245-7361 Fax (979) 245-3081

auditors@swbell.net

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Vleck Independent School District as of and for the year ended August 31, 2011, which collectively comprise the Van Vleck Independent School District's basic financial statements and have issued our report thereon dated January 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Van Vleck Independent School District in a separate letter dated January 4, 2012.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Reed & Associates, PC".

Reed & Associates, PC
January 4, 2012

Reed & Associates, PC

Certified Public Accountants

1717 8th Street, Suite 5

Bay City, Texas 77414

(979) 245-7361 Fax (979) 245-3081

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

Compliance

We have audited Van Vleck Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Van Vleck Independent School District's major federal programs for the year ended August 31, 2011. Van Vleck Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Van Vleck Independent School District's management. Our responsibility is to express an opinion on Van Vleck Independent School District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Van Vleck Independent School 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. Our audit does not provide a legal determination of Van Vleck Independent School District's compliance with those requirements.

In our opinion, Van Vleck Independent School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Van Vleck Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Van Vleck Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Van Vleck Independent School 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Reed & Associates, PC".

Reed & Associates, PC
January 4, 2012

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.394	ARRA Title XIV State Fiscal Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Finding 10-1: Controls over expenditure processing need improvement.		
Recommendation: Appropriate personnel should receive training on the required procedures for processing and paying expenditures of the District. These policies should be adhered to at all times.	Still in process, but improved.	Management is in the process of developing internal control procedures specific to credit card purchasing.
Finding 10-2: Controls over payroll coding need improvement.		
Recommendation: Appropriate personnel should be trained on the various function and program intent codes and their usage and care should be taken during the budgeting process to ensure the appropriate codes are used. All changes to payroll during the year should be in a standard, uniform format so that payroll personnel will have a clear understanding as to what documentation is appropriate for making code changes.	Implemented	
Finding 10-3: Campus improvement plans were not developed for the 2009-2010 fiscal year.		
Recommendation: Ensure district/campus improvement plans are developed for the current and future years addressing all of the required elements.	Implemented	

VAN VLECK INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

Not Applicable

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Department of Health and Human Services:			
Medicaid Administrative Claiming (MAC) *	93.778	Unknown	\$ 14,061
Total U. S. Department of Health and Human Services			<u>14,061</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010	11610101158906	124,928
ESEA Title I Part A - Improving Basic Programs *	84.010	12610101158906	4,205
Total CFDA Number 84.010			<u>129,133</u>
ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act	84.186	10691001158906	--
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367	11694501158906	36,658
ARRA - Title II Part D Subpart 1-Enhancing Education Through Tech	84.386	10553001158906	67
ARRA - ESEA, Title I, Part A - Improving Basic Programs *	84.389	10551001158906	10,516
ARRA of 2009 Title XIV State Fiscal Stabilization Fund *	84.394	11557001158906	297,631
Education Jobs Fund	84.410	11550101158906	9,871
Total Passed Through State Department of Education			<u>483,876</u>
Passed Through Bay City ISD:			
IDEA-B Formula *	84.027	116600011589016600	110,948
IDEA-B Formula *	84.027	126600011589016600	7,418
Total CFDA Number 84.027			<u>118,366</u>
IDEA-B Preschool *	84.173	116610011589016610	7,170
IDEA-B Preschool *	84.173	116610011589016610	1,086
Total CFDA Number 84.173			<u>8,256</u>
ARRA - IDEA-Part B Formula *	84.391	10554001158901	85,746
Total Passed Through Bay City ISD			<u>212,368</u>
Total U. S. Department of Education			<u>696,244</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401101	134,674
National School Lunch Program *	10.555	71301101	219,471
Total Passed Through State Department of Education			<u>354,145</u>
Passed Through State Department of Agriculture:			
Commodity Supplemental Food Program (Non-cash)	10.565	158906A	29,395
Total U. S. Department of Agriculture			<u>383,540</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,093,845</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Van Vleck Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2011*

<u>Data Control Codes</u>	<u>Responses</u>
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4 Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9 Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10 What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ --