

VAN VLECK
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2012



Van Vleck Independent School District

Van Vleck Independent School District
Annual Financial Report
For The Year Ended August 31, 2012

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Van Vleck Independent School District
 Annual Financial Report
 For The Year Ended August 31, 2012

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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, 2012, at a meeting of the board of trustees of such school district on the 14 day of January, 2013


Signature of Board Secretary


Signature of Board President

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



Van Vleck Independent School District

Financial Section



Van Vleck Independent School District

Reed & Associates, PC

Certified Public Accountants

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, 2012, 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, 2012, 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 December 20, 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". The signature is written in dark ink and is positioned above the typed name of the firm.

Reed & Associates, PC
December 20, 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, 2012. 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, 2012 and 2011 are summarized as follows:

	Governmental Activities		Variance
	8/31/2012	8/31/2011	
Current and other assets	\$ 3,769,934	\$ 2,794,454	\$ 975,480
Capital assets	4,328,037	4,698,634	(370,597)
Total assets	<u>8,097,971</u>	<u>7,493,088</u>	<u>604,883</u>
Other liabilities	816,273	359,435	456,838
Long-term liabilities outstanding	853,857	1,211,734	(357,877)
Total liabilities	<u>1,670,130</u>	<u>1,571,169</u>	<u>98,961</u>
Net assets:			
Invested in capital assets, net of related debt	3,474,180	3,486,900	(12,720)
Restricted	254,561	164,455	90,106
Unrestricted	2,699,100	2,270,564	428,536
Total net assets	<u>\$ 6,427,841</u>	<u>\$ 5,921,919</u>	<u>\$ 505,922</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 \$6,427,841 at the close of the most recent fiscal year, August 31, 2012.

A large portion of the District's net assets (54 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 (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (42 percent) may be used to meet the District's ongoing obligations to educate the school-age children of Van Vleck.

Current assets increased \$1,872,828 in cash due to collection of prior year due from state which decreased \$897,096 and current year overpayment by the state in the form of deferred revenue included in other liabilities of \$485,214.

Capital assets decreased \$380,477 due to recognition of depreciation expense. Long-term liabilities decreased \$357,877 due to regular scheduled principal payments.

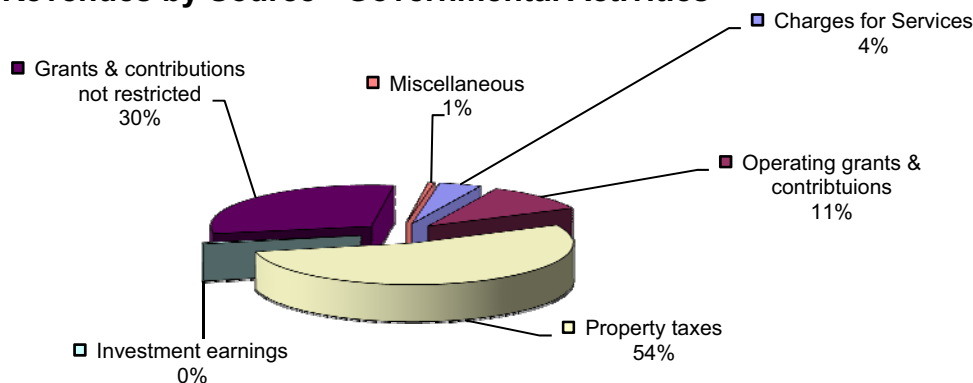
The District's governmental activities as of August 31, 2012 and 2011 are summarized as follows:

	Governmental Activities		Variance
	8/31/2012	8/31/2011	
Revenues:			
Program Revenues:			
Charges for services	\$ 389,637	\$ 408,723	\$ (19,086)
Operating grants & contributions	1,234,101	1,581,083	(346,982)
General Revenues:			
Property taxes	5,466,444	5,513,647	(47,203)
Investment earnings	22,585	11,988	10,597
Grants & contributions not restricted for specific purpose	2,969,240	3,413,353	(444,113)
Miscellaneous	40,330	11,082	29,248
Total revenues	<u>10,122,337</u>	<u>10,939,876</u>	<u>(817,539)</u>
Expenses:			
Instruction	5,120,127	5,802,929	(682,802)
Instructional resources and media	109,185	183,429	(74,244)
Curriculum and staff development	33,977	31,656	2,321
Instructional leadership	97,801	83,752	14,049
School leadership	484,529	599,252	(114,723)
Guidance and counseling	225,782	231,940	(6,158)
Health services	102,632	83,454	19,178
Student transportation	308,199	329,278	(21,079)
Food service	572,849	584,687	(11,838)
Extracurricular activities	546,247	519,417	26,830
General administration	503,022	517,624	(14,602)
Plant maintenance and operations	1,173,306	1,282,716	(109,410)
Security and monitoring services	39,694	60,786	(21,092)
Data processing services	24,452	20,344	4,108
Community services	100	-	100
Interest on long-term debt	48,662	25,775	22,887
Bond issuance costs and fees	209	6,448	(6,239)
Shared Service Payments	173,371	180,333	(6,962)
Other Intergovernmental Charge	52,271	54,327	(2,056)
Total expenses	<u>9,616,415</u>	<u>10,598,147</u>	<u>(981,732)</u>
Increase in net assets	505,922	341,729	164,193
Net assets, beginning	5,921,919	5,674,822	247,097
Prior period adjustment	-	(94,632)	94,632
Net assets ending	<u>\$ 6,427,841</u>	<u>\$ 5,921,919</u>	<u>\$ 505,922</u>

Governmental activities. Governmental activities increased the District’s net assets by \$505,922 compared to the prior year increase of \$341,729. Overall, revenue decreased by \$817,539 while expenditures decreased \$981,732. Key elements comparing current to prior year are as follows:

- Operating grants decreased \$346,982 due to discontinued ARRA funds of over \$393,000; decrease in on-behalf benefits of over \$65,000 due to reduction in payroll and reduced rate from 6.644% to 6.0%; decrease in other federal grants of over \$104,000 all netted with a new federal Education Jobs grant of over \$199,000.
- Unrestricted grants and contributions decreased \$444,113 primarily due to the decrease in ADA from 913 to 865.
- Instruction costs, instructional resources and school leadership costs decreased \$682,802, \$74,244 and \$114,723 respectively primarily due to a reduction in personnel. The District paid an early resignation incentive to Chapter 21 term contract employees prior year of \$101,486. In addition, approximately 17 positions were not filled in the new year due to the early incentives and other resignations during the prior year.
- Plant maintenance and operations decreased \$109,410 due to several factors. Decrease in wages and benefits of over \$38,000 due to same reasons as noted above; decrease in contracted maintenance due to a one-time specific donation in prior year used at the E. Rudd Elementary campus to purchase playground equipment and roof repairs at a cost of over \$50,000; and decrease in utility cost of over \$50,000 due primarily to the use of E-rate funds for the current year.

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 \$2,573,955, an increase of \$586,518 over the prior year fund balance. \$2,276,355 of this total constitutes unassigned fund balance, while \$198,504 represents non-spendable prepaid expenditures, \$56,057 is restricted by outside sources and \$43,039 has been committed by the Board of Directors for campus activities.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,276,355. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unassigned fund balance represents 27 percent of total general fund expenditures.

The fund balance of the general fund increased by \$593,137 compared to the prior year increase of \$213,161. Key elements comparing current year to prior year are the same as those noted above under the district-wide analysis.

General Fund Budgetary Highlights. The Board of Trustees approved budget amendments throughout the year decreasing estimated revenue \$113,623 and appropriations by the same amount. The most significant amendment was a decrease in instruction costs of \$166,627 as a result of the reduction in personnel noted earlier.

Actual Revenue exceeded budgetary estimates by a \$112,803 while actual expenditures were under appropriations by \$480,334. Some of the more significant variances are described below:

- Property taxes and state funding were slightly higher than anticipated.
- Instruction, school leadership and student transportation costs were under budget \$145,719, \$61,869 and \$94,990 respectively again due primarily to the reduction in personnel noted earlier.
- Student transportation costs were further under budget due to reclassification of trip charges resulting in lower than anticipated fuel charges.

Debt Administration

Debt administration events during the current fiscal year included scheduled principal payments of \$265,000 on maintenance tax notes (final payment) and \$92,877 on the capital lease agreement to retrofit the District facilities.

Capital Assets

	Governmental Activities		Variance
	8/31/2012	8/31/2011	
Land	\$ 423,398	\$ 423,398	\$ -
Buildings & Improvements	8,493,316	8,493,316	-
Equipment	846,394	836,514	9,880
Vehicles	1,123,105	1,123,105	-
Totals	<u>10,886,213</u>	<u>10,876,333</u>	<u>9,880</u>
Less accumulated depreciation	<u>(6,558,175)</u>	<u>(6,177,698)</u>	<u>(380,477)</u>
	<u>\$ 4,328,038</u>	<u>\$ 4,698,635</u>	<u>\$ (370,597)</u>

The most significant transaction in capital assets during the year was the recognition of \$380,477 in depreciation expense.

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 2012-2013 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 2013 Budget were as follows:

- The budget is based on projected ADA of 865
- Budget based on tax rate of \$1.04
- Increase in Property Insurance allocation for 2012-2013
- Year 2 of 8 on Energy Management Project payment of \$141,942
- Increase in Instructional Leadership Budget due to addition of principal
- Salary increase for all employees

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Van Vleck Independent School District, Attention: Superintendent, 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, 2012

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 3,090,230
1120	<i>Current Investments</i>	14,423
1225	<i>Property Taxes Receivable (Net)</i>	384,402
1240	<i>Due from Other Governments</i>	74,149
1250	<i>Accrued Interest</i>	37
1300	<i>Inventories</i>	7,642
1410	<i>Deferred Expenses</i>	199,051
Capital Assets:		
1510	<i>Land</i>	423,398
1520	<i>Buildings and Improvements, Net</i>	3,583,038
1530	<i>Furniture and Equipment, Net</i>	321,601
1000	Total Assets	<u>8,097,971</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	22,481
2140	<i>Interest Payable</i>	4,697
2165	<i>Accrued Liabilities</i>	300,001
2300	<i>Unearned Revenue</i>	489,094
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	106,875
2502	<i>Due in More Than One Year</i>	746,982
2000	Total Liabilities	<u>1,670,130</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	3,474,180
Restricted For:		
3820	State and Federal Programs	14,858
3890	Deferred Expenditures	198,504
Other Purposes		
3890	Expendable	27,199
3890	Nonexpendable	14,000
3900	Unrestricted	2,699,100
3000	Total Net Assets	<u>\$ 6,427,841</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, 2012

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	Instruction	\$ 5,120,127	\$ 106,315	\$ 690,513	\$ (4,323,299)	
12	Instructional Resources and Media Services	109,185	19,445	20,902	(68,838)	
13	Curriculum and Staff Development	33,977	--	7,384	(26,593)	
21	Instructional Leadership	97,801	--	6,816	(90,985)	
23	School Leadership	484,529	14,379	29,701	(440,449)	
31	Guidance, Counseling, & Evaluation Services	225,782	--	11,128	(214,654)	
33	Health Services	102,632	--	35,468	(67,164)	
34	Student Transportation	308,199	32	10,962	(297,205)	
35	Food Service	572,849	187,029	367,003	(18,817)	
36	Cocurricular/Extracurricular Activities	546,247	55,799	14,024	(476,424)	
41	General Administration	503,022	2,226	20,069	(480,727)	
51	Plant Maintenance and Operations	1,173,306	4,306	19,189	(1,149,811)	
52	Security and Monitoring Services	39,694	--	688	(39,006)	
53	Data Processing Services	24,452	--	254	(24,198)	
61	Community Services	100	106	--	6	
72	Interest on Long-term Debt	48,662	--	--	(48,662)	
73	Bond Issuance Costs and Fees	209	--	--	(209)	
93	Payments Related to Shared Services Arrangements	173,371	--	--	(173,371)	
99	Other Intergovernmental Charges	52,271	--	--	(52,271)	
TG	Total Governmental Activities	<u>9,616,415</u>	<u>389,637</u>	<u>1,234,101</u>	<u>(7,992,677)</u>	
TP	Total Primary Government	<u>\$ 9,616,415</u>	<u>\$ 389,637</u>	<u>\$ 1,234,101</u>	<u>(7,992,677)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				5,466,444	
IE	Investment Earnings				22,585	
GC	Grants and Contributions Not Restricted to Specific Programs				2,969,240	
MI	Miscellaneous				40,330	
TR	Total General Revenues				<u>8,498,599</u>	
CN	Change in Net Assets				505,922	
NB	Net Assets - Beginning				5,921,919	
NE	Net Assets - Ending				<u>\$ 6,427,841</u>	

The accompanying notes are an integral part of this statement.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2012

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 2,998,257	\$ 91,972	\$ 3,090,229
1120	Current Investments	--	14,423	14,423
1225	Taxes Receivable, Net	384,402	--	384,402
1240	Due from Other Governments	--	74,149	74,149
1250	Accrued Interest	--	37	37
1260	Due from Other Funds	62,251	--	62,251
1300	Inventories	--	7,642	7,642
1410	Deferred Expenditures	198,503	548	199,051
1000	Total Assets	<u>\$ 3,643,413</u>	<u>\$ 188,771</u>	<u>\$ 3,832,184</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 17,790	\$ 4,691	\$ 22,481
2160	Accrued Wages Payable	205,735	18,853	224,588
2170	Due to Other Funds	--	62,251	62,251
2200	Accrued Expenditures	75,413	--	75,413
2300	Deferred Revenue	869,616	3,880	873,496
2000	Total Liabilities	<u>1,168,554</u>	<u>89,675</u>	<u>1,258,229</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3430	Prepaid Items	198,504	--	198,504
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	14,858	14,858
3490	Other Restrictions of Fund Balance	--	41,199	41,199
Committed Fund Balances:				
3545	Other Committed Fund Balance	--	43,039	43,039
3600	Unassigned	2,276,355	--	2,276,355
3000	Total Fund Balances	<u>2,474,859</u>	<u>99,096</u>	<u>2,573,955</u>
4000	Total Liabilities and Fund Balances	<u>\$ 3,643,413</u>	<u>\$ 188,771</u>	<u>\$ 3,832,184</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, 2012*

Total fund balances - governmental funds balance sheet	\$ 2,573,955
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.	4,328,037
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	384,402
Payables for capital leases which are not due in the current period are not reported in the funds.	(853,857)
Payables for accrued interest which are not due in the current period are not reported in the funds.	<u>(4,696)</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 6,427,841</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, 2012*

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 5,648,775	\$ 392,247	\$ 6,041,022
5800 <i>State Program Revenues</i>	3,325,012	42,792	3,367,804
5900 <i>Federal Program Revenues</i>	29,410	776,852	806,262
5020 Total Revenues	<u>9,003,197</u>	<u>1,211,891</u>	<u>10,215,088</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	4,345,659	560,760	4,906,419
0012 <i>Instructional Resources and Media Services</i>	66,116	36,314	102,430
0013 <i>Curriculum and Staff Development</i>	25,427	7,384	32,811
0021 <i>Instructional Leadership</i>	91,708	3,009	94,717
0023 <i>School Leadership</i>	442,374	20,086	462,460
0031 <i>Guidance, Counseling, & Evaluation Services</i>	217,240	--	217,240
0033 <i>Health Services</i>	99,409	150	99,559
0034 <i>Student Transportation</i>	295,952	120	296,072
0035 <i>Food Service</i>	12,619	548,577	561,196
0036 <i>Cocurricular/Extracurricular Activities</i>	497,016	30,102	527,118
0041 <i>General Administration</i>	481,863	2,096	483,959
0051 <i>Plant Maintenance and Operations</i>	1,116,254	9,812	1,126,066
0052 <i>Security and Monitoring Services</i>	37,455	--	37,455
0053 <i>Data Processing Services</i>	23,703	--	23,703
0061 <i>Community Services</i>	--	100	100
0071 <i>Principal on Long-term Debt</i>	357,877	--	357,877
0072 <i>Interest on Long-term Debt</i>	54,564	--	54,564
0073 <i>Bond Issuance Costs and Fees</i>	209	--	209
0093 <i>Payments to Shared Service Arrangements</i>	173,371	--	173,371
0095 <i>Payments to Juvenile Justice Alternative</i>			
0095 <i>Education Programs</i>	18,973	--	18,973
0099 <i>Other Intergovernmental Charges</i>	52,271	--	52,271
6030 Total Expenditures	<u>8,410,060</u>	<u>1,218,510</u>	<u>9,628,570</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	593,137	(6,619)	586,518
1200 Net Change in Fund Balances	<u>593,137</u>	<u>(6,619)</u>	<u>586,518</u>
0100 Fund Balances - Beginning	1,881,722	105,715	1,987,437
3000 Fund Balances - Ending	<u>\$ 2,474,859</u>	<u>\$ 99,096</u>	<u>\$ 2,573,955</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, 2012*

Net change in fund balances - total governmental funds	\$ 586,518
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	9,880
The depreciation of capital assets used in governmental activities is not reported in the funds.	(380,477)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(73,779)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	265,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	92,877
(Increase) decrease in accrued interest from beginning of period to end of period.	<u>5,903</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 505,922</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, 2012

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Scholarship Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 11,057	\$ 32,732
1000	Total Assets	<u>\$ 11,057</u>	<u>\$ 32,732</u>
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ --	\$ 32,732
2400	<i>Payable from Restricted Assets</i>	500	--
2000	Total Liabilities	<u>500</u>	<u>32,732</u>
	NET ASSETS		
3800	<i>Held in Trust</i>	10,557	--
3000	Total Net Assets	<u>\$ 10,557</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, 2012

	Private- Purpose Trusts
Additions:	
Gifts & Bequests	\$ 1,235
Total Additions	<u>1,235</u>
Deductions:	
Scholarship Awards	1,000
Total Deductions	<u>1,000</u>
Change in Net Assets	235
Net Assets-Beginning of the Year	10,322
Net Assets-End of the Year	<u>\$ 10,557</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, 2012

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 for scholarships under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

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.

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 District 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.

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.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

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 U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results could differ from those 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, 2012

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

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 Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees 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 Board of Trustees. 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 Board of Trustees or by an official or body to which the Board of Trustees 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, 2012

- 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 for the Campus Activities of \$43,039.

Fund balances are restricted for the following purposes:

	<u>Aggregate Remaining</u>
Federal & State Grants:	
Cafeteria Fund	\$ 14,858
Donor Restrictions:	
JJAEP Cooperative	15,548
Trull Foundation	1,306
Powerset program	509
WIT program	1,109
Conoco Phillips - technology	141
Gulf Coast Medical - student medical needs	22,586
	<u>\$ 56,057</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.

At August 31, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,145,816 and the bank balance was \$1,200,504. The District's cash deposits at August 31, 2012 and during the year ended August 31, 2012, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District's investments at August 31, 2012 are shown below:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	\$ 2,001,625
Certificate of Deposit	<= 1 year	14,423
Total Investments		<u>\$ 2,016,048</u>

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:

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

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, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 423,398	\$ --	\$ --	\$ 423,398
Total capital assets not being depreciated	<u>423,398</u>	<u>--</u>	<u>--</u>	<u>423,398</u>
 <i>Capital assets being depreciated:</i>				
Buildings and improvements	8,493,316	--	--	8,493,316
Equipment	836,514	9,880	--	846,394
Vehicles	1,123,105	--	--	1,123,105
Total capital assets being depreciated	<u>10,452,935</u>	<u>9,880</u>	<u>--</u>	<u>10,462,815</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,624,301)	(285,977)	--	(4,910,278)
Equipment	(723,297)	(35,945)	--	(759,242)
Vehicles	(830,100)	(58,555)	--	(888,655)
Total accumulated depreciation	<u>(6,177,698)</u>	<u>(380,477)</u>	<u>--</u>	<u>(6,558,175)</u>
Total capital assets being depreciated, net	<u>4,275,237</u>	<u>(370,597)</u>	<u>--</u>	<u>3,904,640</u>
Governmental activities capital assets, net	<u>\$ 4,698,635</u>	<u>\$ (370,597)</u>	<u>\$ --</u>	<u>\$ 4,328,038</u>

Depreciation was charged to functions as follows:

Instruction	\$ 213,708
Instructional Resources and Media Services	6,755
Curriculum and Staff Development	1,166
Instructional Leadership	3,084
School Leadership	22,069
Guidance, Counseling, & Evaluation Services	8,542
Health Services	3,073
Student Transportation	12,127
Food Services	21,533
Extracurricular Activities	19,129
General Administration	19,063
Plant Maintenance and Operations	47,240
Security and Monitoring Services	2,239
Data Processing Services	749
	<u>\$ 380,477</u>

D. Interfund Balances and Activities

Balances due to and due from other funds at August 31, 2102 consisted of short term loans of \$62,251 between the general fund and aggregate remaining funds and are scheduled to be repaid within one year.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

E. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2012, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Maintenance tax notes	\$ 265,000	\$ --	\$ 265,000	\$ --	\$ --
Capital leases	946,734	--	92,877	853,857	106,875
Total governmental activities	\$ 1,211,734	\$ --	\$ 357,877	\$ 853,857	\$ 106,875

Debt service requirements on long-term debt at August 31, 2012, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
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	126,853	15,089	141,942
2018-2022	270,608	13,276	283,884
Totals	\$ 853,858	\$ 139,736	\$ 993,594

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. Scheduled quarterly payments of \$35,485.50 began 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, 2012, the District met its statutory workers' compensation obligations through participation in a workers compensation pool administered by Claims Administrative Services, Inc. All members participating in the fund execute interlocal agreements that define the responsibilities of the parties. The estimated liability will not exceed the District's loss fund and the District is not responsible for claims and claims allocation expense beyond its individual loss fund. The amounts for IBNR are projected estimates, based on the experience history of the association.

Claims activity as of August 31, 2012 and the prior year are as follows:

	8/31/12	8/31/11
Unpaid claims, beginning	\$ 41,895	\$ 51,844
Incurred claims	64,274	23,163
Change in IBNR	(10,871)	(21,308)
Paid claims	(19,885)	(11,804)
Unpaid claims, ending	\$ 75,413	\$ 41,895

Property Casualty

During the year ended August 31, 2012, 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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of February 28, 2012, the Fund carries a discounted reserve of \$6,150,000 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended February 28, 2012, 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, 2012 are available for inspection at the Property Casualty Alliance of Texas office.

Unemployment Compensation Pool

During the year ended August 31, 2012, 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, 2011 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

G. Pension Plan

Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2012, 2011, and 2010, and a state contribution rate of 6.644% for fiscal years 2011 & 2010 and 6% for fiscal year 2012. In certain instances the reporting district is required to make all or a portion of the state's contribution, State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2012, 2011 and 2010 were \$288,607, \$345,771 and \$333,162, respectively. The District paid additional state contributions for the years ending August 31, 2012, 2011 and 2010 in the amount of \$36,827, \$53,640 and \$55,175, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

H. Retiree Health Care Plan

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). 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 under the TRS Publications heading, 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.

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 2012, 2011 and 2010. 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, 2012, 2011, and 2010, the State's contributions to TRS-Care were \$53,493, \$58,872, and \$60,669, respectively, the active member contributions were \$36,567, \$40,476, and \$41,400, respectively, and the District's contributions were \$30,942, \$34,249, and \$35,031, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2012, 2011, and 2010, the subsidy payments received by TRS-Care on behalf of the District were \$13,672, \$16,651, and \$15,767, respectively.

I. Employee Health Care Coverage

During the year ended August 31, 2012, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$285 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2012, and terms of coverage and premium costs are included in the contractual provisions.

J. Commitments and Contingencies

Contingencies

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

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	\$ 58,954
Palacios ISD	15,998
Van Vleck ISD	18,973
Tidehaven ISD	2,975
Total	<u>\$ 96,900</u>

Shared Services Arrangement - Membership

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

Member Districts

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

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

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

Member Districts

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

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.

VAN VLECK INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

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	\$ 950,876	\$ --	\$ 950,876
Business Personal Property Taxes	860	--	860
Less allowance on taxes	(567,334)	--	(567,334)
	<u>\$ 384,402</u>	<u>\$ --</u>	<u>\$ 384,402</u>
Due from Other Governments:			
TEA	\$ --	\$ 69,415	\$ 69,415
Other Governments	--	4,733	4,733
	<u>\$ --</u>	<u>\$ 74,148</u>	<u>\$ 74,148</u>

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

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	\$ 5,372,363	\$ --	\$ 5,372,363
Penalties & interest	167,859	--	167,859
Investment earnings	22,380	378	22,758
Food service fees	--	189,970	189,970
Athletic receipts	26,870	--	26,870
Extra Curricular Activities	--	72,934	72,934
Other	59,303	--	59,303
Shared Service Arrangement Fees	--	96,900	96,900
Gifts & Bequests	--	32,065	32,065
	<u>\$ 5,648,775</u>	<u>\$ 392,247</u>	<u>\$ 6,041,022</u>



Van Vleck Independent School District

Required Supplementary Information

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



Van Vleck Independent School District

VAN VLECK INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 5,531,097	\$ 5,591,097	\$ 5,648,775	\$ 57,678
5800	State Program Revenues	3,472,920	3,269,297	3,325,012	55,715
5900	Federal Program Revenues	--	30,000	29,410	(590)
5020	Total Revenues	<u>9,004,017</u>	<u>8,890,394</u>	<u>9,003,197</u>	<u>112,803</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,658,005	4,491,378	4,345,659	145,719
0012	Instructional Resources and Media Services	114,704	70,719	66,116	4,603
0013	Curriculum and Staff Development	69,065	69,065	25,427	43,638
	Total Instruction & Instr. Related Services	<u>4,841,774</u>	<u>4,631,162</u>	<u>4,437,202</u>	<u>193,960</u>
Instructional and School Leadership:					
0021	Instructional Leadership	90,300	100,300	91,708	8,592
0023	School Leadership	504,243	504,243	442,374	61,869
	Total Instructional & School Leadership	<u>594,543</u>	<u>604,543</u>	<u>534,082</u>	<u>70,461</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	229,150	229,150	217,240	11,910
0033	Health Services	113,326	113,326	99,409	13,917
0034	Student (Pupil) Transportation	390,942	390,942	295,952	94,990
0035	Food Services	12,000	12,625	12,619	6
0036	Cocurricular/Extracurricular Activities	448,142	498,142	497,016	1,126
	Total Support Services - Student (Pupil)	<u>1,193,560</u>	<u>1,244,185</u>	<u>1,122,236</u>	<u>121,949</u>
Administrative Support Services:					
0041	General Administration	528,534	528,534	481,863	46,671
	Total Administrative Support Services	<u>528,534</u>	<u>528,534</u>	<u>481,863</u>	<u>46,671</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,075,209	1,085,209	1,116,254	(31,045)
0052	Security and Monitoring Services	53,213	62,088	37,455	24,633
0053	Data Processing Services	31,270	29,761	23,703	6,058
	Total Support Services - Nonstudent Based	<u>1,159,692</u>	<u>1,177,058</u>	<u>1,177,412</u>	<u>(354)</u>
Debt Service:					
0071	Principal on Long-Term Debt	357,877	357,877	357,877	--
0072	Interest on Long-Term Debt	56,099	56,099	54,564	1,535
0073	Bond Issuance Costs and Fees	500	500	209	291
	Total Debt Service	<u>414,476</u>	<u>414,476</u>	<u>412,650</u>	<u>1,826</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	180,500	173,373	173,371	2
0095	Payments to Juvenile Justice Alternative Education Programs	33,875	25,000	18,973	6,027
0099	Other Intergovernmental Charges	57,063	92,063	52,271	39,792
	Total Intergovernmental Charges	<u>271,438</u>	<u>290,436</u>	<u>244,615</u>	<u>45,821</u>
6030	Total Expenditures	<u>9,004,017</u>	<u>8,890,394</u>	<u>8,410,060</u>	<u>480,334</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	593,137	593,137
	Other Financing Sources (Uses):				
8911	Transfers Out	--	(18,370)	--	18,370
7080	Total Other Financing Sources and (Uses)	--	(18,370)	--	18,370
1200	Net Change in Fund Balance	--	(18,370)	593,137	611,507
0100	Fund Balance - Beginning	1,881,722	1,881,722	1,881,722	--
3000	Fund Balance - Ending	<u>\$ 1,881,722</u>	<u>\$ 1,863,352</u>	<u>\$ 2,474,859</u>	<u>\$ 611,507</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2012

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 51 - plant maintenance and operations by \$31,045 due to recording of prior year prepaid insurance premiums of \$96,654.



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, 2012

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	\$ 83,846	\$ 8,126	\$ 91,972
1120	Current Investments	--	14,423	14,423
1240	Due from Other Governments	74,149	--	74,149
1250	Accrued Interest	--	37	37
1300	Inventories	7,642	--	7,642
1410	Deferred Expenditures	548	--	548
1000	Total Assets	<u>\$ 166,185</u>	<u>\$ 22,586</u>	<u>\$ 188,771</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 4,691	\$ --	\$ 4,691
2160	Accrued Wages Payable	18,853	--	18,853
2170	Due to Other Funds	62,251	--	62,251
2300	Deferred Revenue	3,880	--	3,880
2000	Total Liabilities	<u>89,675</u>	<u>--</u>	<u>89,675</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	14,858	--	14,858
3490	Other Restrictions of Fund Balance	18,613	22,586	41,199
Committed Fund Balances:				
3545	Other Committed Fund Balance	43,039	--	43,039
3000	Total Fund Balances	<u>76,510</u>	<u>22,586</u>	<u>99,096</u>
4000	Total Liabilities and Fund Balances	<u>\$ 166,185</u>	<u>\$ 22,586</u>	<u>\$ 188,771</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, 2012

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>	\$ 392,042	\$ 205	\$ 392,247
5800 <i>State Program Revenues</i>	42,792	--	42,792
5900 <i>Federal Program Revenues</i>	776,852	--	776,852
5020 Total Revenues	<u>1,211,686</u>	<u>205</u>	<u>1,211,891</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	560,760	--	560,760
0012 <i>Instructional Resources and Media Services</i>	36,314	--	36,314
0013 <i>Curriculum and Staff Development</i>	7,384	--	7,384
0021 <i>Instructional Leadership</i>	3,009	--	3,009
0023 <i>School Leadership</i>	20,086	--	20,086
0033 <i>Health Services</i>	150	--	150
0034 <i>Student Transportation</i>	120	--	120
0035 <i>Food Service</i>	548,577	--	548,577
0036 <i>Cocurricular/Extracurricular Activities</i>	30,102	--	30,102
0041 <i>General Administration</i>	2,096	--	2,096
0051 <i>Plant Maintenance and Operations</i>	9,812	--	9,812
0061 <i>Community Services</i>	100	--	100
6030 Total Expenditures	<u>1,218,510</u>	<u>--</u>	<u>1,218,510</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(6,824)	205	(6,619)
1200 Net Change in Fund Balances	<u>(6,824)</u>	<u>205</u>	<u>(6,619)</u>
0100 Fund Balances - Beginning	83,334	22,381	105,715
3000 Fund Balances - Ending	<u>\$ 76,510</u>	<u>\$ 22,586</u>	<u>\$ 99,096</u>

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2012

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 <i>Cash and Cash Equivalents</i>	\$ 956	\$ --	\$ --	\$ 12,832
1240 <i>Due from Other Governments</i>	31,380	4,294	439	8,929
1300 <i>Inventories</i>	--	--	--	7,642
1410 <i>Deferred Expenditures</i>	--	--	--	119
1000 Total Assets	<u>\$ 32,336</u>	<u>\$ 4,294</u>	<u>\$ 439</u>	<u>\$ 29,522</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ --	\$ --	\$ --	\$ 83
2160 <i>Accrued Wages Payable</i>	3,419	4,294	439	10,701
2170 <i>Due to Other Funds</i>	28,917	--	--	--
2300 <i>Deferred Revenue</i>	--	--	--	3,880
2000 Total Liabilities	<u>32,336</u>	<u>4,294</u>	<u>439</u>	<u>14,664</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--	14,858
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--	--
Committed Fund Balances:				
3545 <i>Other Committed Fund Balance</i>	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>14,858</u>
4000 Total Liabilities and Fund Balances	<u>\$ 32,336</u>	<u>\$ 4,294</u>	<u>\$ 439</u>	<u>\$ 29,522</u>

255 ESEA Title II Training & Recruiting	410 State Textbook Fund	459 Juvenile Justice Alt Education	461 Campus Activity Funds	480 Trull Foundation Grant
\$ 8,835	\$ --	\$ 15,119	\$ 43,039	\$ 1,306
11,626	17,481	--	--	--
--	--	--	--	--
--	--	429	--	--
<u>\$ 20,461</u>	<u>\$ 17,481</u>	<u>\$ 15,548</u>	<u>\$ 43,039</u>	<u>\$ 1,306</u>
\$ 245	\$ 4,363	\$ --	\$ --	\$ --
--	--	--	--	--
20,216	13,118	--	--	--
--	--	--	--	--
<u>20,461</u>	<u>17,481</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	--	15,548	--	1,306
--	--	--	43,039	--
<u>--</u>	<u>--</u>	<u>15,548</u>	<u>43,039</u>	<u>1,306</u>
<u>\$ 20,461</u>	<u>\$ 17,481</u>	<u>\$ 15,548</u>	<u>\$ 43,039</u>	<u>\$ 1,306</u>



Van Vleck Independent School District

VAN VLECK INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2012

Data Control Codes	481 Conoco Phillips Grant	485 Powerset Program	486 WIT Program	Total Nonmajor Special Revenue Funds (See Exhibit H-1)	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 141	\$ 509	\$ 1,109	\$ 83,846
1240	Due from Other Governments	--	--	--	74,149
1300	Inventories	--	--	--	7,642
1410	Deferred Expenditures	--	--	--	548
1000	Total Assets	<u>\$ 141</u>	<u>\$ 509</u>	<u>\$ 1,109</u>	<u>\$ 166,185</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ 4,691
2160	Accrued Wages Payable	--	--	--	18,853
2170	Due to Other Funds	--	--	--	62,251
2300	Deferred Revenue	--	--	--	3,880
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>89,675</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	14,858
3490	Other Restrictions of Fund Balance	141	509	1,109	18,613
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	43,039
3000	Total Fund Balances	<u>141</u>	<u>509</u>	<u>1,109</u>	<u>76,510</u>
4000	Total Liabilities and Fund Balances	<u>\$ 141</u>	<u>\$ 509</u>	<u>\$ 1,109</u>	<u>\$ 166,185</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, 2012

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 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 189,970
5800 State Program Revenues	--	--	--	2,906
5900 Federal Program Revenues	96,410	91,756	8,023	350,574
5020 Total Revenues	<u>96,410</u>	<u>91,756</u>	<u>8,023</u>	<u>543,450</u>
EXPENDITURES:				
Current:				
0011 Instruction	93,214	91,756	8,023	--
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	900	--	--	--
0021 Instructional Leadership	2,296	--	--	--
0023 School Leadership	--	--	--	--
0033 Health Services	--	--	--	--
0034 Student Transportation	--	--	--	--
0035 Food Service	--	--	--	542,201
0036 Cocurricular/Extracurricular Activities	--	--	--	--
0041 General Administration	--	--	--	--
0051 Plant Maintenance and Operations	--	--	--	8,526
0061 Community Services	--	--	--	--
6030 Total Expenditures	<u>96,410</u>	<u>91,756</u>	<u>8,023</u>	<u>550,727</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	--	(7,277)
1200 Net Change in Fund Balances	--	--	--	(7,277)
0100 Fund Balances - Beginning	--	--	--	22,135
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 14,858</u>

242 Summer Feeding Program	255 ESEA Title II Training & Recruiting	287 Education Jobs Fund	410 State Textbook Fund	459 Juvenile Justice Alt Education
\$ --	\$ --	\$ --	\$ --	\$ 96,900
--	--	--	34,921	--
6,376	24,500	199,213	--	--
<u>6,376</u>	<u>24,500</u>	<u>199,213</u>	<u>34,921</u>	<u>96,900</u>
--	10,816	181,205	34,921	94,667
--	--	18,008	--	--
--	6,484	--	--	--
--	713	--	--	--
--	6,337	--	--	3,146
--	150	--	--	--
--	--	--	--	--
6,376	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	23
--	--	--	--	--
<u>6,376</u>	<u>24,500</u>	<u>199,213</u>	<u>34,921</u>	<u>97,836</u>
--	--	--	--	(936)
--	--	--	--	(936)
--	--	--	--	16,484
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 15,548</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, 2012

Data Control Codes	461 Campus Activity Funds	480 Trull Foundation Grant	481 Conoco Phillips Grant
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 73,397	\$ 2,500	\$ 12,000
5800 <i>State Program Revenues</i>	--	--	--
5900 <i>Federal Program Revenues</i>	--	--	--
5020 Total Revenues	<u>73,397</u>	<u>2,500</u>	<u>12,000</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	9,465	1,194	15,996
0012 <i>Instructional Resources and Media Services</i>	18,306	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	--
0021 <i>Instructional Leadership</i>	--	--	--
0023 <i>School Leadership</i>	10,603	--	--
0033 <i>Health Services</i>	--	--	--
0034 <i>Student Transportation</i>	30	--	--
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	27,235	--	--
0041 <i>General Administration</i>	2,096	--	--
0051 <i>Plant Maintenance and Operations</i>	1,263	--	--
0061 <i>Community Services</i>	100	--	--
6030 Total Expenditures	<u>69,098</u>	<u>1,194</u>	<u>15,996</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>4,299</u>	<u>1,306</u>	<u>(3,996)</u>
1200 Net Change in Fund Balances	<u>4,299</u>	<u>1,306</u>	<u>(3,996)</u>
0100 Fund Balances - Beginning	<u>38,740</u>	<u>--</u>	<u>4,137</u>
3000 Fund Balances - Ending	<u>\$ 43,039</u>	<u>\$ 1,306</u>	<u>\$ 141</u>

485 Powerset Program	486 WIT Program	487 Texas Music Educators Grant	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ 9,275	\$ 8,000	\$ --	\$ 392,042
--	--	4,965	42,792
--	--	--	776,852
<u>9,275</u>	<u>8,000</u>	<u>4,965</u>	<u>1,211,686</u>
8,219	6,319	4,965	560,760
--	--	--	36,314
--	--	--	7,384
--	--	--	3,009
--	--	--	20,086
--	--	--	150
90	--	--	120
--	--	--	548,577
1,262	1,605	--	30,102
--	--	--	2,096
--	--	--	9,812
--	--	--	100
<u>9,571</u>	<u>7,924</u>	<u>4,965</u>	<u>1,218,510</u>
<u>(296)</u>	<u>76</u>	<u>--</u>	<u>(6,824)</u>
(296)	76	--	(6,824)
805	1,033	--	83,334
<u>\$ 509</u>	<u>\$ 1,109</u>	<u>\$ --</u>	<u>\$ 76,510</u>



Van Vleck Independent School District

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, 2012*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2003 and Prior Years	\$ Various	\$ Various	\$ Various
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	1.04	--	520,525,385
2012 (School Year Under Audit)	1.04	--	513,686,635

1000 Totals

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

10 Beginning Balance 9/1/11	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/12
\$ 310,240	\$ --	\$ 8,399	\$ --	\$ (16,085)	\$ 285,756
30,271	--	6,618	--	(625)	23,028
30,350	--	3,161	--	(725)	26,464
34,218	--	5,310	--	(756)	28,152
53,422	--	9,802	--	(799)	42,821
55,007	--	14,491	--	(776)	39,740
98,973	--	28,125	--	(1,079)	69,769
143,448	--	45,415	--	(1,466)	96,567
254,555	--	126,808	--	(1,460)	126,287
--	5,342,341	5,121,599	--	(8,450)	212,292
<u>\$ 1,010,484</u>	<u>\$ 5,342,341</u>	<u>\$ 5,369,728</u>	<u>\$ --</u>	<u>\$ (32,221)</u>	<u>\$ 950,876</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

VAN VLECK INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2013-2014
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012*

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	\$ --	\$ --	\$ 176,068	\$ 208,764	\$ --	\$ 538	\$ 385,370
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	--	--	4,664	--	--	--	4,664
6212	Audit Services	--	--	--	12,500	--	--	12,500
6213	Tax Appraisal and Collection	--	52,271	--	--	--	--	52,271
621X	Other Prof. Services	--	18,225	--	13,661	--	--	31,886
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	975	7,371	--	--	8,346
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	2,539	8,369	--	--	10,908
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	81	--	--	81
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	4,529	6,662	--	--	11,191
6410	Travel, Subsistence, Stipends	3,036	--	6,274	4,568	--	--	13,878
6420	Ins. and Bonding Costs	--	--	--	8,645	--	--	8,645
6430	Election Costs	--	--	--	--	--	--	--
6490	Miscellaneous Operating	3,816	--	1,886	4,547	--	4,854	15,103
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 6,852 \$ 70,496 \$ 196,935 \$ 275,168 \$ -- \$ 5,392 \$ 554,843

Total Expenditures for General and Special Revenue Funds (9) \$ 9,628,570

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 9,880
Total Debt & Lease (6500)	(11)	\$ 412,650
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,126,066
Food (Function 35, 6341 and 6499)	(13)	\$ 236,993
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 275,168

Subtotal 2,060,757

Net Allowed Direct Cost \$ 7,567,813

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 8,493,316
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)	1,969,499
Historical Cost of Furniture & Equipment over 16 years old	(19)	185,392
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$18,613 in Function 53 expenditures and \$52,271 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, 2012

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 190,000	\$ 189,970	\$ (30)
5800 <i>State Program Revenues</i>	3,924	2,906	(1,018)
5900 <i>Federal Program Revenues</i>	367,055	350,574	(16,481)
5020 Total Revenues	<u>560,979</u>	<u>543,450</u>	<u>(17,529)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	569,719	542,201	27,518
Total Support Services - Student (Pupil)	<u>569,719</u>	<u>542,201</u>	<u>27,518</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	9,630	8,526	1,104
Total Support Services - Nonstudent Based	<u>9,630</u>	<u>8,526</u>	<u>1,104</u>
6030 Total Expenditures	<u>579,349</u>	<u>550,727</u>	<u>28,622</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(18,370)</u>	<u>(7,277)</u>	<u>11,093</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	18,370	--	(18,370)
7080 Total Other Financing Sources and (Uses)	<u>18,370</u>	<u>--</u>	<u>(18,370)</u>
1200 Net Change in Fund Balance	<u>--</u>	<u>(7,277)</u>	<u>(7,277)</u>
0100 Fund Balance - Beginning	22,135	22,135	--
3000 Fund Balance - Ending	<u>\$ 22,135</u>	<u>\$ 14,858</u>	<u>\$ (7,277)</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

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, 2012, which collectively comprise the Van Vleck Independent School District's basic financial statements and have issued our report thereon dated December 20, 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

Management of Van Vleck Independent School District is responsible for establishing and maintaining effective 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2012-1, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 December 20, 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
December 20, 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, 2012. 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, 2012.

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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Van Vleck Independent School District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Van Vleck Independent School District's compliance but not to provide an opinion on the effectiveness of Van Vleck Independent School District's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Van Vleck Independent School District's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

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

Reed & Associates, PC
December 20, 2012

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

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? X Yes 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>
84.410	Education Jobs

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

Auditee qualified as low-risk auditee? X Yes No

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

B. Financial Statement Findings

2012-1 Condition: Inadequate controls over the general ledger.

Criteria: Controls should be in place and operating effectively to ensure general ledger account balances are reported at appropriate amounts, fund types, codes and period.

Effect: Material adjustments were made to the financial statements to bring them in compliance with GAAP and other reports.

Recommendation: Personnel should ensure transactions are recorded at the appropriate amounts by fund, code and period under audit by performing periodic review of general ledger balances for accuracy. This may include reconciling balances to grant reports, subsidiary ledgers, spreadsheets, etc. It also may include reversing any prior year audit adjustments as needed.

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, 2012

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

VAN VLECK INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2012

2012-1 Condition: Inadequate controls over the general ledger.

Criteria: Controls should be in place and operating effectively to ensure general ledger account balances are reported at appropriate amounts, fund types, codes and period.

Corrective action: Personnel will review the general ledger periodically to ensure transactions are recorded at the appropriate amounts by fund, code and period under audit including reconciling balances to grant reports, subsidiary ledgers, spreadsheets, and ensuring all prior year audit adjustments are reversed as needed.

Contact person and completion date: Gayle Blackmon, beginning January, 2013 and ongoing as necessary.

VAN VLECK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

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	\$ 1,649
Total U. S. Department of Health and Human Services			<u>1,649</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs</i> *	84.010	12610101158906	92,205
<i>ESEA Title I Part A - Improving Basic Programs</i> *	84.010	13610101158906	4,205
Total CFDA Number 84.010			<u>96,410</u>
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	12694501158906	24,500
<i>Education Jobs Fund</i>	84.410	11550101158906	199,213
Total Passed Through State Department of Education			<u>320,123</u>
Passed Through Bay City ISD:			
<i>IDEA-B Formula</i> *	84.027	126600011589016600	87,462
<i>IDEA-B Formula</i> *	84.027	136600011589016600	4,294
Total CFDA Number 84.027			<u>91,756</u>
<i>IDEA-B Preschool</i> *	84.173	126610011589016610	7,584
<i>IDEA-B Preschool</i> *	84.173	136610011589016610	439
Total CFDA Number 84.173			<u>8,023</u>
Total Passed Through Bay City ISD			<u>99,779</u>
Total U. S. Department of Education			<u>419,902</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401101	14,596
School Breakfast Program *	10.553	71401201	103,482
Total CFDA Number 10.553			<u>118,078</u>
National School Lunch Program *	10.555	71301101	25,308
National School Lunch Program *	10.555	71301201	175,613
Total CFDA Number 10.555			<u>200,921</u>
Summer Food Service Program *	10.559	Unknown	6,376
Total Passed Through State Department of Education			<u>325,375</u>
Passed Through State Department of Agriculture:			
Commodity Supplemental Food Program (Non-cash)	10.565	158906A	31,575
Total U. S. Department of Agriculture			<u>356,950</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 778,501</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, 2012

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, 2012*

<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?	\$ --



Van Vleck Independent School District