

VAN VLECK  
INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2013*



Van Vleck Independent School District

Van Vleck Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2013

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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, 2013, at a meeting of the board of trustees of such school district on the 18 day of November 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  
auditors@swbell.net ~ (979) 245-7361*

## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Vleck Independent School District ("the District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Van Vleck Independent School District as of August 31, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

### *Other Information*

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013 on our consideration of Van Vleck Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Van Vleck Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

**Reed and  
Associates, PC**

Digitally signed by Reed and Associates, PC  
DN: cn=Reed and Associates, PC, o=Reed  
and Associates, PC, ou=Reed and  
Associates, PC, email=auditors@swbell.net,  
c=US  
Date: 2013.11.13 19:33:36 -06'00'

Reed & Associates, PC  
October 15, 2013

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

AUGUST 31, 2013

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, 2013. The information presented here should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

### Overview of the Financial Statements

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

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

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

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

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

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

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

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

AUGUST 31, 2013

**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 position at August 31, 2013 and 2012 are summarized as follows:

	Governmental Activities		Variance
	8/31/2013	8/31/2012	
Current and other assets	\$ 3,009,037	\$ 3,769,934	\$ (760,897)
Capital assets	4,137,851	4,328,037	(190,186)
Total assets	<u>7,146,888</u>	<u>8,097,971</u>	<u>(951,083)</u>
Other liabilities	333,070	816,273	(483,203)
Long-term liabilities outstanding	745,536	853,857	(108,321)
Total liabilities	<u>1,078,606</u>	<u>1,670,130</u>	<u>(591,524)</u>
Net position:			
Net Investment in capital assets	3,392,315	3,474,180	(81,865)
Restricted	174,753	254,561	(79,808)
Unrestricted	2,501,214	2,699,100	(197,886)
Total net position	<u>\$ 6,068,282</u>	<u>\$ 6,427,841</u>	<u>\$ (359,559)</u>

Current assets decreased \$760,897, of which \$757,894 was in cash due primarily to the prior year overpayment by the state of over \$485,000 as indicated by the decrease in other liabilities of \$483,203 and current year net activity as explained further below.

Capital assets decreased \$190,186 as a result of recognized depreciation expense of \$380,488 exceeding capital additions of \$190,302 and long-term liabilities decreased \$108,321 due to regular scheduled principal payments as explained further below.

Net position may serve over time as a useful indicator of a district's financial position. In the case of Van Vleck Independent School District, assets exceeded liabilities by \$6,068,282 at the close of the most recent fiscal year, August 31, 2013.

A large portion of the District's net position (56 percent) reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services to students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

AUGUST 31, 2013

An additional portion of the District's net position (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (42 percent) may be used to meet the District's ongoing obligations to educate the school-age children of Van Vleck.

The District's governmental activities as of August 31, 2013 and 2012 are summarized as follows:

	Governmental Activities		Variance
	8/31/2013	8/31/2012	
Revenues:			
Program Revenues:			
Charges for services	\$ 328,102	\$ 389,637	\$ (61,535)
Operating grants & contributions	1,055,266	1,234,101	(178,835)
General Revenues:			
Property taxes	5,310,173	5,466,444	(156,271)
Investment earnings	9,034	22,585	(13,551)
Grants & contributions not restricted for specific purpose	3,020,827	2,969,240	51,587
Miscellaneous	136,432	40,330	96,102
Total revenues	<u>9,859,834</u>	<u>10,122,337</u>	<u>(262,503)</u>
Expenses:			
Instruction	5,300,908	5,120,127	180,781
Instructional resources and media	99,755	109,185	(9,430)
Curriculum and staff development	36,448	33,977	2,471
Instructional leadership	109,283	97,801	11,482
School leadership	554,951	484,529	70,422
Guidance and counseling	223,125	225,782	(2,657)
Health services	95,641	102,632	(6,991)
Student transportation	321,317	308,199	13,118
Food service	624,500	572,849	51,651
Extracurricular activities	579,513	546,247	33,266
General administration	535,228	503,022	32,206
Plant maintenance and operations	1,273,567	1,173,306	100,261
Security and monitoring services	50,185	39,694	10,491
Data processing services	68,364	24,452	43,912
Community services	13,130	100	13,030
Interest on long-term debt	29,751	48,662	(18,911)
Bond issuance costs and fees	38,109	209	37,900
Shared Service Payments	197,106	173,371	23,735
Other Intergovernmental Charge:	68,510	52,271	16,239
Total expenses	<u>10,219,391</u>	<u>9,616,415</u>	<u>602,976</u>
Increase in net position	(359,557)	505,922	(865,479)
Net position, beginning	6,427,839	5,921,919	505,920
Net position ending	<u>\$ 6,068,282</u>	<u>\$ 6,427,841</u>	<u>\$ (359,559)</u>

**Governmental activities.** Governmental activities decreased the District's net position by \$359,557 compared to the prior year increase of \$505,922. Overall, revenue decreased by \$262,503 and expenditures increased \$602,976. Key elements comparing current to prior year are as follows:

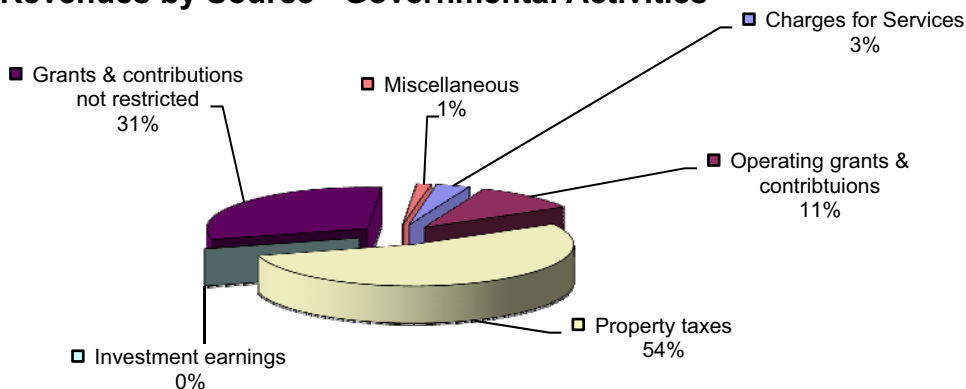
# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

AUGUST 31, 2013

- Operating grants have decreased \$178,835 due primarily to the prior year recognition of education jobs grant funds of over \$199,000.
- Property taxes have decreased \$156,271 due to a decline in values of over \$12m.
- Miscellaneous revenue increased \$96,102 due primarily to the recognition of \$75,000 related to a tax relief agreement with Tenaris.
- Instruction costs, school leadership, plant maintenance and data processing services all increased by large percentage dues to increased payroll costs. As a result of an early retirement incentive the prior year, there were numerous positions that were not filled right away.
- In addition to the payroll increases in plant maintenance, the District also incurred some professional fees related to a facilities study and increase insurance costs.

### 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 \$2,299,674, a decrease of \$274,281 over the prior year fund balance. \$2,089,159 of this total constitutes unassigned fund balance, while \$144,558 represents non-spendable prepaid expenditures, \$30,195 is restricted by outside sources and \$35,762 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 \$2,089,159. 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 23 percent of total general fund expenditures.

The fund balance of the general fund decreased by \$241,142 compared to the prior year increase of \$593,137. Key elements comparing current year to prior year are the same as those noted above under the district-wide analysis.

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT DISCUSSION AND ANALYSIS

AUGUST 31, 2013

**General Fund Budgetary Highlights.** The Board of Trustees approved budget amendments throughout the increasing appropriations by 549,875. The most significant amendments were in student transportation of \$192,375, extracurricular of \$63,000 and plant maintenance of \$132,000.

Actual Revenue exceeded budgetary estimates by a \$199,381 while actual expenditures were under appropriations by \$123,583. Some of the more significant variances are described below:

- State revenue was higher than anticipated due primarily to the decrease in property tax revenue and increased ADA.
- Additional maintenance costs were appropriated to fund critical maintenance improvement projects identified in the Facilities Assessment Study. Some projects were not completed and will be postponed into the next fiscal year.
- Transportation fuel costs were less than anticipated for the fiscal year.

### Debt Administration

The District's long-term debt as of August 31, 2013 and 2012 are summarized as follows:

	Governmental Activities		
	<u>8/31/2013</u>	<u>8/31/2012</u>	<u>Variance</u>
Maintenance Tax Notes	\$ <u>745,536</u>	\$ <u>853,857</u>	\$ <u>(108,321)</u>

Debt administration events during the current fiscal year included scheduled principal payments of \$108,321 on the capital lease agreement to retrofit the District facilities.

### Capital Assets

The District's capital assets as of August 31, 2013 and 2012 are summarized as follows:

	Governmental Activities		
	<u>8/31/2013</u>	<u>8/31/2012</u>	<u>Variance</u>
Land	\$ 423,398	\$ 423,398	\$ -
Buildings & Improvements	8,493,316	8,493,316	-
Equipment	859,324	846,394	12,930
Vehicles	<u>1,215,161</u>	<u>1,123,105</u>	<u>92,056</u>
Totals	10,991,199	10,886,213	104,986
Less accumulated depreciation	<u>(6,853,347)</u>	<u>(6,558,175)</u>	<u>(295,172)</u>
	\$ <u>4,137,852</u>	\$ <u>4,328,038</u>	\$ <u>(190,186)</u>

The most significant transaction in capital assets during the year was the recognition of \$380,488 in depreciation expense and the purchase of two buses at a cost of \$177,372.

### 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 2013-2014 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 2014 Budget were as follows:

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
MANAGEMENT DISCUSSION AND ANALYSIS  
AUGUST 31, 2013

- The VVISD budget is based on the tax rate of \$1.04 for the 2013-2014 school year.
- The budget is based on a projected ADA of 865
- Additional maintenance projects are scheduled to continue with the required improvements outlined in the Facility Assessment Study.
- Year 3 of 8 of Energy Management Project payment of \$141,942
- In order to ensure the recruitment and retention of quality staff, included in the 2013-2014 budget is a 3% salary increase for all employees as well as an increase in the District contribution to the health coverage from \$192.67 per employee to \$250 per employee.

**Request for Information**

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



*Basic Financial Statements*



Van Vleck Independent School District

## VAN VLECK INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF NET POSITION

AUGUST 31, 2013

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 2,332,336
1120	<i>Current Investments</i>	14,423
1225	<i>Property Taxes Receivable (Net)</i>	377,120
1240	<i>Due from Other Governments</i>	126,913
1290	<i>Other Receivables (Net)</i>	395
1300	<i>Inventories</i>	13,292
1410	<i>Prepaid Expenses</i>	144,558
Capital Assets:		
1510	<i>Land</i>	423,398
1520	<i>Buildings and Improvements, Net</i>	3,299,650
1530	<i>Furniture and Equipment, Net</i>	414,803
1000	Total Assets	<u>7,146,888</u>
<b>LIABILITIES:</b>		
2110	<i>Accounts Payable</i>	16,283
2140	<i>Interest Payable</i>	827
2165	<i>Accrued Liabilities</i>	301,745
2180	<i>Due to Other Governments</i>	11,629
2300	<i>Unearned Revenue</i>	2,586
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	111,553
2502	<i>Due in More Than One Year</i>	633,983
2000	Total Liabilities	<u>1,078,606</u>
<b>NET POSITION</b>		
3200	Net Investment in Capital Assets	3,392,315
Restricted For:		
3890	Deferred Expenditures Other Purposes	144,558
3890	Expendable	16,195
3890	Nonexpendable	14,000
3900	Unrestricted	2,501,214
3000	Total Net Position	<u>\$ 6,068,282</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, 2013

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 5,300,908	\$ 18,416	\$ 566,186	\$ (4,716,306)	
12	<i>Instructional Resources and Media Services</i>	99,755	13,726	2,678	(83,351)	
13	<i>Curriculum and Staff Development</i>	36,448	--	--	(36,448)	
21	<i>Instructional Leadership</i>	109,283	--	6,637	(102,646)	
23	<i>School Leadership</i>	554,951	18,231	25,088	(511,632)	
31	<i>Guidance, Counseling, &amp; Evaluation Services</i>	223,125	203	11,239	(211,683)	
33	<i>Health Services</i>	95,641	--	5,206	(90,435)	
34	<i>Student Transportation</i>	321,317	--	9,666	(311,651)	
35	<i>Food Service</i>	624,500	205,381	372,642	(46,477)	
36	<i>Cocurricular/Extracurricular Activities</i>	579,513	64,388	12,794	(502,331)	
41	<i>General Administration</i>	535,228	3,231	18,165	(513,832)	
51	<i>Plant Maintenance and Operations</i>	1,273,567	4,526	21,960	(1,247,081)	
52	<i>Security and Monitoring Services</i>	50,185	--	880	(49,305)	
53	<i>Data Processing Services</i>	68,364	--	2,125	(66,239)	
61	<i>Community Services</i>	13,130	--	--	(13,130)	
72	<i>Interest on Long-term Debt</i>	29,751	--	--	(29,751)	
81	<i>Capital Outlay</i>	38,109	--	--	(38,109)	
93	<i>Payments Related to Shared Services Arrangements</i>	197,106	--	--	(197,106)	
99	<i>Other Intergovernmental Charges</i>	68,510	--	--	(68,510)	
TG	Total Governmental Activities	<u>10,219,391</u>	<u>328,102</u>	<u>1,055,266</u>	<u>(8,836,023)</u>	
TP	Total Primary Government	<u>\$ 10,219,391</u>	<u>\$ 328,102</u>	<u>\$ 1,055,266</u>	<u>(8,836,023)</u>	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				5,310,173	
IE	<i>Investment Earnings</i>				9,034	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				3,020,827	
MI	<i>Miscellaneous</i>				136,432	
TR	Total General Revenues				<u>8,476,466</u>	
CN	Change in Net Position				<u>(359,557)</u>	
NB	Net Position - Beginning				6,427,839	
NE	Net Position - Ending				<u>\$ 6,068,282</u>	

The accompanying notes are an integral part of this statement.

## VAN VLECK INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2013

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 2,268,603	\$ 63,733	\$ 2,332,336
1120	Current Investments	--	14,423	14,423
1225	Taxes Receivable, Net	377,120	--	377,120
1240	Due from Other Governments	104,084	22,829	126,913
1260	Due from Other Funds	2,714	--	2,714
1290	Other Receivables	395	--	395
1300	Inventories	--	13,292	13,292
1410	Prepaid Expenditures	144,558	--	144,558
1000	Total Assets	<u>2,897,474</u>	<u>114,277</u>	<u>3,011,751</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 8,856	\$ 7,427	\$ 16,283
2150	Payroll Deductions & Withholdings	19,248	4,688	23,936
2160	Accrued Wages Payable	222,585	19,276	241,861
2170	Due to Other Funds	--	2,714	2,714
2180	Due to Other Governments	--	11,629	11,629
2200	Accrued Expenditures	35,948	--	35,948
2300	Unearned Revenue	377,120	2,586	379,706
2000	Total Liabilities	<u>663,757</u>	<u>48,320</u>	<u>712,077</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3430	Prepaid Items	144,558	--	144,558
Restricted Fund Balances:				
3490	Other Restrictions of Fund Balance	--	30,195	30,195
Committed Fund Balances:				
3545	Other Committed Fund Balance	--	35,762	35,762
3600	Unassigned	2,089,159	--	2,089,159
3000	Total Fund Balances	<u>2,233,717</u>	<u>65,957</u>	<u>2,299,674</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,897,474</u>	<u>\$ 114,277</u>	<u>\$ 3,011,751</u>

The accompanying notes are an integral part of this statement.

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 AUGUST 31, 2013*

Total fund balances - governmental funds balance sheet	\$ 2,299,674
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,137,851
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	377,120
Payables for capital leases which are not due in the current period are not reported in the funds.	(745,536)
Payables for capital lease interest which are not due in the current period are not reported in the funds.	<u>(827)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 6,068,282</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, 2013

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 5,492,162	\$ 325,405	\$ 5,817,567
5800	State Program Revenues	3,331,152	57,832	3,388,984
5900	Federal Program Revenues	49,214	611,350	660,564
5020	Total Revenues	<u>8,872,528</u>	<u>994,587</u>	<u>9,867,115</u>
<b>EXPENDITURES:</b>				
Current:				
0011	Instruction	4,747,289	345,078	5,092,367
0012	Instructional Resources and Media Services	80,472	14,836	95,308
0013	Curriculum and Staff Development	35,064	--	35,064
0021	Instructional Leadership	102,480	2,820	105,300
0023	School Leadership	515,511	19,705	535,216
0031	Guidance, Counseling, & Evaluation Services	212,496	1,433	213,929
0033	Health Services	91,461	--	91,461
0034	Student Transportation	486,034	102	486,136
0035	Food Service	13,545	593,103	606,648
0036	Cocurricular/Extracurricular Activities	518,481	38,784	557,265
0041	General Administration	511,183	3,557	514,740
0051	Plant Maintenance and Operations	1,222,319	10,910	1,233,229
0052	Security and Monitoring Services	48,568	--	48,568
0053	Data Processing Services	67,368	--	67,368
0061	Community Services	13,130	--	13,130
0071	Principal on Long-term Debt	108,321	--	108,321
0072	Interest on Long-term Debt	33,621	--	33,621
0081	Capital Outlay	38,109	--	38,109
0093	Payments to Shared Service Arrangements	185,477	11,629	197,106
0099	Other Intergovernmental Charges	68,510	--	68,510
6030	Total Expenditures	<u>9,099,439</u>	<u>1,041,957</u>	<u>10,141,396</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(226,911)</u>	<u>(47,370)</u>	<u>(274,281)</u>
Other Financing Sources and (Uses):				
7915	Transfers In	--	14,231	14,231
8911	Transfers Out	(14,231)	--	(14,231)
7080	Total Other Financing Sources and (Uses)	<u>(14,231)</u>	<u>14,231</u>	<u>--</u>
1200	Net Change in Fund Balances	<u>(241,142)</u>	<u>(33,139)</u>	<u>(274,281)</u>
0100	Fund Balances - Beginning	2,474,859	99,096	2,573,955
3000	Fund Balances - Ending	<u>\$ 2,233,717</u>	<u>\$ 65,957</u>	<u>\$ 2,299,674</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, 2013*

Net change in fund balances - total governmental funds	\$ (274,281)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	190,302
The depreciation of capital assets used in governmental activities is not reported in the funds.	(380,488)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(7,282)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	108,321
(Increase) decrease in accrued interest from beginning of period to end of period.	<u>3,871</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (359,557)</u>

The accompanying notes are an integral part of this statement.



**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2013

Data Control Codes	Private-purpose Trust Fund	Agency Fund
<u>ASSETS:</u>	<u>Scholarship Fund</u>	<u>Student Activity</u>
1110 <i>Cash and Cash Equivalents</i>	\$ 10,435	\$ 34,547
1000 Total Assets	<u>10,435</u>	<u>34,547</u>
 <b>LIABILITIES:</b>		
Current Liabilities:		
2190 <i>Due to Student Groups</i>	\$ --	\$ 34,547
2400 <i>Payable from Restricted Assets</i>	500	--
2000 Total Liabilities	<u>500</u>	<u>34,547</u>
 <b>NET POSITION:</b>		
3800 <i>Held in Trust</i>	9,935	--
3000 Total Net Position	<u>\$ 9,935</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2012

	Private- Purpose Trusts
<b>Additions:</b>	
Gifts & Bequests	\$ 1,378
Total Additions	<u>1,378</u>
<b>Deductions:</b>	
Scholarship Awards	<u>2,000</u>
Total Deductions	<u>2,000</u>
<b>Change in Net Position</b>	(622)
Net Position-Beginning of the Year	10,557
Net Position-End of the Year	<u>\$ 9,935</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, 2013*

### A. Summary of Significant Accounting Policies

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

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

#### **Reporting Entity**

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board.

The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

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

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

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

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Additionally, the District reports the following fund types:

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

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

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

# **VAN VLECK INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2013*

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

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

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

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

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

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

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

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

### **Budgetary Information**

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

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

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

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

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

#### Cash and cash equivalents:

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

#### Investments:

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

#### Inventories and Prepaid Items:

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

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

#### Capital assets:

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

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

# **VAN VLECK INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2013*

### Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District does not have any items that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualifites for reporting in this category.

### Net position flow assumption:

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

### Fund balance flow assumptions:

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

### Fund balance policies:

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

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

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

## **Revenues and Expenditures/expenses**

### Program revenues:

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

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

### 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.

### Compensated absences:

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

An employee who retires from the District shall be eligible for reimbursement for state and local leave under the following conditions: 1) the employee's retirement is voluntary, i.e., the employee is not being discharged or nonrenewed 2) the employee provides advance written notice of intent to retire. Contract employees must provide written notice at least 30 days before the last day of employment. Non-contract employees must provide written notice at least two weeks before the last day of employment and 3) the employee has at least ten years of service with the District. The employee shall be reimbursed for each day of state and local leave, to a maximum of 50 days, at a rate established by the Board. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee.

### Data control codes:

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

## B. Deposits and Investments

### **Cash Deposits**

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. At August 31, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$172,398 and the bank balance was \$224,753. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

### **Investments**

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

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

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

As of August 31, 2013 the District had the following investments:

Investment or Investment Type	Maturity	Credit Rating	Fair Value
Lone Star Investment Pool	N/A	Aaa	\$ 2,217,823
Certificate of Deposit	12/29/14	N/A	14,423
Total Investments			<u>\$ 2,232,246</u>

### C. Disaggregated Receivables

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

	General	Nonmajor Funds	Totals
Real Property Taxes	\$ 950,976	\$ --	\$ 950,976
Less allowance on taxes	(573,855)	--	(573,855)
	<u>\$ 377,121</u>	<u>\$ --</u>	<u>\$ 377,121</u>
Due from Other Governments:			
TEA	\$ 104,084	\$ 16,218	\$ 120,302
Other Governments	--	6,611	6,611
	<u>\$ 104,084</u>	<u>\$ 22,829</u>	<u>\$ 126,913</u>

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

### D. Capital Assets

Capital asset activity for the year ended August 31, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<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	846,394	12,930	--	859,324
Vehicles	1,123,105	177,372	85,316	1,215,161
Total capital assets being depreciated	<u>10,462,815</u>	<u>190,302</u>	<u>85,316</u>	<u>10,567,801</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,910,278)	(283,388)	--	(5,193,666)
Equipment	(759,242)	(32,144)	--	(791,386)
Vehicles	(888,655)	(64,956)	(85,316)	(868,295)
Total accumulated depreciation	<u>(6,558,175)</u>	<u>(380,488)</u>	<u>(85,316)</u>	<u>(6,853,347)</u>
Total capital assets being depreciated, net	<u>3,904,640</u>	<u>(190,186)</u>	<u>--</u>	<u>3,714,454</u>
Governmental activities capital assets, net	<u>\$ 4,328,038</u>	<u>\$ (190,186)</u>	<u>\$ --</u>	<u>\$ 4,137,852</u>

Depreciation was charged to functions as follows:

Instruction	\$ 208,541
Instructional Resources and Media Services	4,447



# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

Curriculum and Staff Development	1,384
Instructional Leadership	3,983
School Leadership	19,735
Guidance, Counseling, & Evaluation Services	9,196
Health Services	4,180
Student Transportation	12,553
Food Services	23,332
Extracurricular Activities	22,248
General Administration	20,488
Plant Maintenance and Operations	47,788
Security and Monitoring Services	1,617
Data Processing Services	996
	\$ 380,488

### E. Retiree Health Care Plan

#### Plan Description

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

#### Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2013–2011.

Contribution Rates and Contribution Amounts						
Year	Member		State on-behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2013	0.650%	37,884	0.500%	27,710	0.550%	33,487
2012	0.650%	36,567	1.000%	53,493	0.550%	30,942
2011	0.650%	40,476	1.000%	58,872	0.550%	34,249

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, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$22,451, \$13,672, and \$16,651, respectively.

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

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

#### Funding Policy

Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (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 during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contributions for fiscal years 2013-2011 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution including federally funded personnel, new hires and amounts above statutory minimum.

Contribution Rates and Contribution Amounts					
Year	Member		Rate	State on-behalf Amount	District Amount
	Rate	Amount			
2013	6.400%	373,013	6.400%	309,778	73,583
2012	6.400%	288,607	6.000%	288,607	36,827
2011	6.400%	345,771	6.644%	345,771	53,640

### G. Risk Management

#### Self-Insured Workers Compensation

During the year ended August 31, 2013, 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, 2013 and the prior year are as follows:

	8/31/13	8/31/12
Unpaid claims, beginning	\$ 75,413	\$ 41,895
Incurred claims	8,055	64,274
Change in IBNR	(33,748)	(10,871)
Paid claims	(13,772)	(19,885)
Unpaid claims, ending	<u>\$ 35,948</u>	<u>\$ 75,413</u>

# **VAN VLECK INDEPENDENT SCHOOL DISTRICT**

## *NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2013*

### **Property Casualty**

During the year ended August 31, 2013, Van Vleck ISD met its statutory property casualty obligations through participation in the Property Casualty and Coastal Property Alliance of Texas (the Fund). The Fund was created pursuant to the provisions of the Interlocal Cooperation Act, Chapter 791, Title 7 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides property and casualty coverage and services to its members. The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any covered claim in excess of the Fund's self-insured retentions. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of February 28, 2013, the Fund carries a discounted reserve of \$4,554,521 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended February 28, 2013, 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, 2013 are available for inspection at the Property Casualty Alliance of Texas office.

### **Unemployment Compensation Pool**

During the year ended August 31, 2013, 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, 2012 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

#### **H. Employee Health Care Coverage**

During the year ended August 31, 2013, 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, 2013, and terms of coverage and premium costs are included in the contractual provisions.

#### **I. Long-Term Obligations**

##### **Capital Leases**

The District entered into a lease agreement as lessee for financing an Energy Conservation Project to include retrofitting facilities with new HVAC, lighting, windows and roofing valued at \$946,734 with an estimated life ranging from 10-20 years. Accumulated depreciation at August 31, 2013 was \$206,121. This lease agreements qualify as a capital lease for accounting purposes and, therefore has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value of these minimum lease payments as of August 31, 2013 were as follows:

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2013*

<u>Year Ending August 31:</u>	
2014	\$ 141,942
2015	141,942
2016	141,942
2017	141,942
2018	141,942
2019-2023	141,942
Total Minimum Lease Payments	\$ 851,652
Less: Amount Representing Interest	(106,116)
Present Value of Minimum Lease Payments	<u>\$ 745,536</u>

Changes in long-term obligations for the year ended August 31, 2013, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 853,857	\$ --	\$ 108,321	\$ 745,536	\$ 111,553

J. Fund Balance

**Minimum Fund Balance Policy**

In order to preserve financial stability, the District must be prepared to respond to cash flow shortages, large or unexpected one-time expenditures, changes in the economy, and changes in state funding. The District shall, therefore, target for its fund balance between 17 percent (60 days) and 25 percent (90 days) of total operating expenditures. At August 31, 2013, the District was in compliance with this minimum fund balance policy.

**Committed Fund Balances**

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

**Restricted Fund Balances**

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

K. Interfund Balances and Activities

Balances due to and due from other funds at August 31, 2013, are schedule to be repaid within one year and consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 2,714	Short-term loans

Transfers to and from other funds at August 31, 2013, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Governmental Funds	\$ 14,231	Supplement other funds sources

# VAN VLECK INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

### L. Shared Services Arrangements

#### Fiscal Agent

The District was the fiscal agent for a Shared Services Arrangement ("SSA") which provided 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. The SSA was terminated as of August 31, 2012. The fund balance was used to pay any remaining expenditures incurred as of August 31, 2013 with the remaining fund balance refunded to each of the member districts. 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. Final expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Bay City ISD	\$ 3,320
Palacios ISD	214
Van Vleck ISD	31
Tidehaven ISD	354
Total	<u>\$ 3,919</u>

#### 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, 2013*

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	\$ 5,178,125	\$	\$ 5,178,125
Penalties & interest	139,331		139,331
Investment earnings	8,895	231	9,126
Food service fees		208,712	208,712
Athletic receipts	29,380		29,380
Extra curricular activities		89,877	89,877
Other	136,431		136,431
Gifts & bequests		26,585	26,585
	<u>\$ 5,492,162</u>	<u>\$ 325,405</u>	<u>\$ 5,817,567</u>

N. Commitments and Contingencies

**Contingencies**

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

## *Required Supplementary Information*

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



Van Vleck Independent School District



**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT G-1**

GENERAL FUND

Page 1 of 2

BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 5,598,127	\$ 5,598,127	\$ 5,492,162	\$ (105,965)
5800	State Program Revenues	3,045,020	3,045,020	3,331,152	286,132
5900	Federal Program Revenues	30,000	30,000	49,214	19,214
5020	Total Revenues	8,673,147	8,673,147	8,872,528	199,381
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,647,854	4,728,854	4,747,289	(18,435)
0012	Instructional Resources and Media Services	145,834	90,834	80,472	10,362
0013	Curriculum and Staff Development	63,065	38,065	35,064	3,001
	Total Instruction & Instr. Related Services	4,856,753	4,857,753	4,862,825	(5,072)
Instructional and School Leadership:					
0021	Instructional Leadership	109,300	109,300	102,480	6,820
0023	School Leadership	513,989	515,689	515,511	178
	Total Instructional & School Leadership	623,289	624,989	617,991	6,998
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	212,257	212,857	212,496	361
0033	Health Services	86,089	91,589	91,461	128
0034	Student (Pupil) Transportation	330,850	523,225	486,034	37,191
0035	Food Services	12,000	13,650	13,545	105
0036	Cocurricular/Extracurricular Activities	473,097	536,097	518,481	17,616
	Total Support Services - Student (Pupil)	1,114,293	1,377,418	1,322,017	55,401
Administrative Support Services:					
0041	General Administration	498,159	506,709	511,183	(4,474)
	Total Administrative Support Services	498,159	506,709	511,183	(4,474)
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,126,381	1,258,381	1,222,319	36,062
0052	Security and Monitoring Services	34,613	49,613	48,568	1,045
0053	Data Processing Services	46,981	70,981	67,368	3,613
	Total Support Services - Nonstudent Based	1,207,975	1,378,975	1,338,255	40,720
Ancillary Services:					
0061	Community Services	--	15,000	13,130	1,870
	Total Ancillary Services	--	15,000	13,130	1,870
Debt Service:					
0071	Principal on Long-Term Debt	106,877	106,877	108,321	(1,444)
0072	Interest on Long-Term Debt	35,069	35,069	33,621	1,448
0073	Bond Issuance Costs and Fees	500	500	--	500
	Total Debt Service	142,446	142,446	141,942	504
Capital Outlay:					
0081	Capital Outlay	--	39,500	38,109	1,391
	Total Capital Outlay	--	39,500	38,109	1,391

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2013

**EXHIBIT G-1**

Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual		
	Original	Final			
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	173,371	188,371	185,477	2,894
0099	Other Intergovernmental Charges	56,861	91,861	68,510	23,351
	Total Intergovernmental Charges	<u>230,232</u>	<u>280,232</u>	<u>253,987</u>	<u>26,245</u>
6030	Total Expenditures	<u>8,673,147</u>	<u>9,223,022</u>	<u>9,099,439</u>	<u>123,583</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>(549,875)</u>	<u>(226,911)</u>	<u>322,964</u>
Other Financing Sources (Uses):					
8911	Transfers Out	<u>--</u>	<u>(38,000)</u>	<u>(14,231)</u>	<u>23,769</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>(38,000)</u>	<u>(14,231)</u>	<u>23,769</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>(587,875)</u>	<u>(241,142)</u>	<u>346,733</u>
0100	Fund Balance - Beginning	2,474,859	2,474,859	2,474,859	--
3000	Fund Balance - Ending	<u>\$ 2,474,859</u>	<u>\$ 1,886,984</u>	<u>\$ 2,233,717</u>	<u>\$ 346,733</u>

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*FOR THE YEAR ENDED AUGUST 31, 2013*

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 11 - instructional costs by \$18,435 due to recording of the medicare on-behalf amount of \$22,451 backwards and subsequently correcting in this audit.



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, 2013

Data Control Codes	Special Revenue Funds	Permanent Fund  Gulf Coast Medical Grant	Total Nonmajor Governmental Funds (See Exhibit C-1)	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 55,432	\$ 8,301	\$ 63,733
1120	Current Investments	--	14,423	14,423
1240	Due from Other Governments	22,829	--	22,829
1300	Inventories	13,292	--	13,292
1000	Total Assets	<u>91,553</u>	<u>22,724</u>	<u>114,277</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 7,427	\$ --	\$ 7,427
2150	Payroll Deductions & Withholdings	4,688	--	4,688
2160	Accrued Wages Payable	19,276	--	19,276
2170	Due to Other Funds	2,714	--	2,714
2180	Due to Other Governments	11,629	--	11,629
2300	Unearned Revenue	2,586	--	2,586
2000	Total Liabilities	<u>48,320</u>	<u>--</u>	<u>48,320</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3490	Other Restrictions of Fund Balance	7,471	22,724	30,195
Committed Fund Balances:				
3545	Other Committed Fund Balance	35,762	--	35,762
3000	Total Fund Balances	<u>43,233</u>	<u>22,724</u>	<u>65,957</u>
4000	Total Liabilities and Fund Balances	<u>\$ 91,553</u>	<u>\$ 22,724</u>	<u>\$ 114,277</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, 2013

Data Control Codes	Special Revenue Funds	Permanent Fund  Gulf Coast Medical Grant	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 325,266	\$ 139	\$ 325,405
5800 <i>State Program Revenues</i>	57,832	--	57,832
5900 <i>Federal Program Revenues</i>	611,350	--	611,350
5020 <b>Total Revenues</b>	<u>994,448</u>	<u>139</u>	<u>994,587</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	345,078	--	345,078
0012 <i>Instructional Resources and Media Services</i>	14,836	--	14,836
0021 <i>Instructional Leadership</i>	2,820	--	2,820
0023 <i>School Leadership</i>	19,705	--	19,705
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	1,433	--	1,433
0034 <i>Student Transportation</i>	102	--	102
0035 <i>Food Service</i>	593,103	--	593,103
0036 <i>Cocurricular/Extracurricular Activities</i>	38,784	--	38,784
0041 <i>General Administration</i>	3,557	--	3,557
0051 <i>Plant Maintenance and Operations</i>	10,910	--	10,910
0093 <i>Payments to Shared Service Arrangements</i>	11,629	--	11,629
6030 <b>Total Expenditures</b>	<u>1,041,957</u>	<u>--</u>	<u>1,041,957</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(47,509)</u>	<u>139</u>	<u>(47,370)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	14,231	--	14,231
7080 Total Other Financing Sources and (Uses)	<u>14,231</u>	<u>--</u>	<u>14,231</u>
1200 Net Change in Fund Balances	<u>(33,278)</u>	<u>139</u>	<u>(33,139)</u>
0100 Fund Balances - Beginning	76,511	22,585	99,096
3000 Fund Balances - Ending	<u>\$ 43,233</u>	<u>\$ 22,724</u>	<u>\$ 65,957</u>

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2013

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ 570
1240	Due from Other Governments	4,791	5,964	647	8,713
1300	Inventories	--	--	--	13,292
1000	Total Assets	<u>4,791</u>	<u>5,964</u>	<u>647</u>	<u>22,575</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ 7,427
2150	Payroll Deductions & Withholdings	880	1,293	174	2,341
2160	Accrued Wages Payable	3,911	4,671	473	10,221
2170	Due to Other Funds	--	--	--	--
2180	Due to Other Governments	--	--	--	--
2300	Unearned Revenue	--	--	--	2,586
2000	Total Liabilities	<u>4,791</u>	<u>5,964</u>	<u>647</u>	<u>22,575</u>
<b>FUND BALANCES:</b>					
Restricted Fund Balances:					
3490	Other Restrictions of Fund Balance	--	--	--	--
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,791</u>	<u>\$ 5,964</u>	<u>\$ 647</u>	<u>\$ 22,575</u>

255 ESEA Title II Training & Recruiting	404 Student Success Initiative	459 Juvenile Justice Alt Education	461 Campus Activity Funds	481 Conoco Phillips Grant
\$ --	\$ --	\$ 11,629	\$ 35,762	\$ 3,884
2,439	275	--	--	--
--	--	--	--	--
<u>2,439</u>	<u>275</u>	<u>11,629</u>	<u>35,762</u>	<u>3,884</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
2,439	275	--	--	--
--	--	11,629	--	--
--	--	--	--	--
<u>2,439</u>	<u>275</u>	<u>11,629</u>	<u>--</u>	<u>--</u>
--	--	--	--	3,884
--	--	--	35,762	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>35,762</u>	<u>3,884</u>
<u>\$ 2,439</u>	<u>\$ 275</u>	<u>\$ 11,629</u>	<u>\$ 35,762</u>	<u>\$ 3,884</u>



Van Vleck Independent School District

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2013

Data Control Codes	485 Powerset Program	486 WIT Program	Total Nonmajor Special Revenue Funds (See Exhibit H-1)	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 367	\$ 3,220	\$ 55,432
1240	Due from Other Governments	--	--	22,829
1300	Inventories	--	--	13,292
1000	Total Assets	<u>367</u>	<u>3,220</u>	<u>91,553</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ 7,427
2150	Payroll Deductions & Withholdings	--	--	4,688
2160	Accrued Wages Payable	--	--	19,276
2170	Due to Other Funds	--	--	2,714
2180	Due to Other Governments	--	--	11,629
2300	Unearned Revenue	--	--	2,586
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>48,320</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3490	Other Restrictions of Fund Balance	367	3,220	7,471
Committed Fund Balances:				
3545	Other Committed Fund Balance	--	--	35,762
3000	Total Fund Balances	<u>367</u>	<u>3,220</u>	<u>43,233</u>
4000	Total Liabilities and Fund Balances	<u>\$ 367</u>	<u>\$ 3,220</u>	<u>\$ 91,553</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, 2013

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 208,712
5800 <i>State Program Revenues</i>	--	--	--	2,613
5900 <i>Federal Program Revenues</i>	87,238	114,506	8,308	362,307
5020 <b>Total Revenues</b>	<u>87,238</u>	<u>114,506</u>	<u>8,308</u>	<u>573,632</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	83,969	114,506	8,308	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0021 <i>Instructional Leadership</i>	2,055	--	--	--
0023 <i>School Leadership</i>	--	--	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	1,214	--	--	--
0034 <i>Student Transportation</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	593,103
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--	--	9,618
0093 <i>Payments to Shared Service Arrangements</i>	--	--	--	--
6030 <b>Total Expenditures</b>	<u>87,238</u>	<u>114,506</u>	<u>8,308</u>	<u>602,721</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	--	--	--	(29,089)
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	--	14,231
7080 <b>Total Other Financing Sources and (Uses)</b>	--	--	--	14,231
1200 <b>Net Change in Fund Balances</b>	--	--	--	(14,858)
0100 <b>Fund Balances - Beginning</b>	--	--	--	14,858
3000 <b>Fund Balances - Ending</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

255 ESEA Title II Training & Recruiting	404 Student Success Initiative	410 State Textbook Fund	459 Juvenile Justice Alt Education	461 Campus Activity Funds
\$ --	\$ --	\$ --	\$ --	\$ 90,009
--	2,749	52,470	--	--
38,991	--	--	--	--
<u>38,991</u>	<u>2,749</u>	<u>52,470</u>	<u>--</u>	<u>90,009</u>
38,291	2,749	52,340	3,919	19,905
--	--	--	--	14,836
700	--	65	--	--
--	--	--	--	19,705
--	--	--	--	219
--	--	--	--	--
--	--	--	--	--
--	--	--	--	37,837
--	--	65	--	3,492
--	--	--	--	1,292
--	--	--	11,629	--
<u>38,991</u>	<u>2,749</u>	<u>52,470</u>	<u>15,548</u>	<u>97,286</u>
--	--	--	(15,548)	(7,277)
--	--	--	--	--
--	--	--	--	--
--	--	--	(15,548)	(7,277)
--	--	--	15,548	43,039
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 35,762</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, 2013

Data Control Codes	480 Trull Foundation Grant	481 Conoco Phillips Grant
<b>REVENUES:</b>		
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 12,000
5800 <i>State Program Revenues</i>	--	--
5900 <i>Federal Program Revenues</i>	--	--
5020 <b>Total Revenues</b>	<u>          --</u>	<u>          12,000</u>
<b>EXPENDITURES:</b>		
Current:		
0011 <i>Instruction</i>	1,306	8,257
0012 <i>Instructional Resources and Media Services</i>	--	--
0021 <i>Instructional Leadership</i>	--	--
0023 <i>School Leadership</i>	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	--
0034 <i>Student Transportation</i>	--	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--
0041 <i>General Administration</i>	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--
6030 <b>Total Expenditures</b>	<u>          1,306</u>	<u>          8,257</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>		
1100 <b>Expenditures</b>	<u>          (1,306)</u>	<u>          3,743</u>
Other Financing Sources and (Uses):		
7915 <i>Transfers In</i>	<u>          --</u>	<u>          --</u>
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>          --</u>	<u>          --</u>
1200 <b>Net Change in Fund Balances</b>	<u>          (1,306)</u>	<u>          3,743</u>
0100 <b>Fund Balances - Beginning</b>	<u>          1,306</u>	<u>          141</u>
3000 <b>Fund Balances - Ending</b>	<u>          \$ --</u>	<u>          \$ 3,884</u>



485	486	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
Powerset Program	WIT Program	
\$ 7,545	\$ 7,000	\$ 325,266
--	--	57,832
--	--	611,350
<u>7,545</u>	<u>7,000</u>	<u>994,448</u>
7,427	4,101	345,078
--	--	14,836
--	--	2,820
--	--	19,705
--	--	1,433
51	51	102
--	--	593,103
209	738	38,784
--	--	3,557
--	--	10,910
--	--	11,629
<u>7,687</u>	<u>4,890</u>	<u>1,041,957</u>
(142)	2,110	(47,509)
--	--	14,231
--	--	14,231
<u>(142)</u>	<u>2,110</u>	<u>(33,278)</u>
509	1,110	76,511
<u>\$ 367</u>	<u>\$ 3,220</u>	<u>\$ 43,233</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, 2013*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2004 and Prior Years	\$ Various	\$ Various	\$ Various
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	1.04	--	513,686,635
2013 (School Year Under Audit)	1.04	--	501,441,731

1000 Totals

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

10 Beginning Balance 9/1/12	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/13
\$ 308,784	\$ --	\$ 5,364	\$ --	\$ (24,192)	\$ 279,228
26,464	--	728	--	(675)	25,061
28,152	--	2,695	--	(825)	24,632
42,821	--	4,440	--	(1,162)	37,219
39,740	--	3,973	--	(1,008)	34,759
69,769	--	7,861	--	(1,300)	60,608
96,567	--	17,971	--	(1,550)	77,046
126,287	--	38,963	--	(1,341)	85,983
212,292	--	96,443	--	(2,348)	113,501
--	5,214,994	5,000,258	--	(1,797)	212,939
<u>\$ 950,876</u>	<u>\$ 5,214,994</u>	<u>\$ 5,178,696</u>	<u>\$ --</u>	<u>\$ (36,198)</u>	<u>\$ 950,976</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-2**

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015  
GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013*

**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	\$ --	\$ --	\$ 196,842	\$ 183,017	\$ --	\$ 1,044	\$ 380,903
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	--	--	33,494	--	--	--	33,494
6212	Audit Services	--	--	--	12,700	--	--	12,700
6213	Tax Appraisal and Collection	--	68,510	--	--	--	--	68,510
621X	Other Prof. Services	--	--	--	13,712	--	--	13,712
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	1,200	9,209	--	--	10,409
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	2,328	10,246	--	--	12,574
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	7,504	--	8,569	5,684	--	16	21,773
6410	Travel, Subsistence, Stipends	6,759	--	7,028	5,335	--	--	19,122
6420	Ins. and Bonding Costs	--	--	--	8,174	--	--	8,174
6430	Election Costs	5,375	--	--	--	--	--	5,375
6490	Miscellaneous Operating	2,944	--	4,512	5,866	--	3,657	16,979
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 22,582 \$ 68,510 \$ 253,973 \$ 253,943 \$ -- \$ 4,717 \$ 603,725

Total Expenditures for General and Special Revenue Funds (9) \$ 10,141,396

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 190,302
Total Debt & Lease (6500)	(11)	\$ 141,942
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,225,779
Food (Function 35, 6341 and 6499)	(13)	\$ 271,644
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 253,943

Subtotal 2,083,610

Net Allowed Direct Cost \$ 8,057,786

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)	2,074,484
Historical Cost of Furniture & Equipment over 16 years old	(19)	148,537
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$20,475 in Function 53 expenditures and \$68,510 in Function 99 expenditures are included in this report on administrative costs.

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-3**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 207,400	\$ 208,712	\$ 1,312
5800 <i>State Program Revenues</i>	3,924	2,613	(1,311)
5900 <i>Federal Program Revenues</i>	364,630	362,307	(2,323)
5020 <b>Total Revenues</b>	<u>575,954</u>	<u>573,632</u>	<u>(2,322)</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	601,954	593,103	8,851
<b>Total Support Services - Student (Pupil)</b>	<u>601,954</u>	<u>593,103</u>	<u>8,851</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	12,000	9,618	2,382
<b>Total Support Services - Nonstudent Based</b>	<u>12,000</u>	<u>9,618</u>	<u>2,382</u>
6030 <b>Total Expenditures</b>	<u>613,954</u>	<u>602,721</u>	<u>11,233</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	<u>(38,000)</u>	<u>(29,089)</u>	<u>8,911</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	38,000	14,231	(23,769)
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>38,000</u>	<u>14,231</u>	<u>(23,769)</u>
1200 <b>Net Change in Fund Balance</b>	<u>--</u>	<u>(14,858)</u>	<u>(14,858)</u>
0100 <b>Fund Balance - Beginning</b>	<u>14,858</u>	<u>14,858</u>	<u>--</u>
3000 <b>Fund Balance - Ending</b>	<u>\$ 14,858</u>	<u>\$ --</u>	<u>\$ (14,858)</u>



Van Vleck Independent School District



# *Reed & Associates, PC*

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

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Vleck Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Van Vleck Independent School District's basic financial statements, and have issued our report thereon dated October 15, 2013.

### **Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

Respectfully submitted,

**Reed and  
Associates, PC**

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Associates, PC, ou=Reed and Associates, PC,  
email=auditors@swbell.net, c=US  
Date: 2013.11.13 19:34:27 -06'00'

Reed & Associates, PC  
October 15, 2013

# *Reed & Associates, PC*

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

## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Members of the Board of Trustees:

### **Report on Compliance for Each Major Federal Program**

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 Van Vleck Independent School District's major federal program for the year ended August 31, 2013. Van Vleck Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Van Vleck Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Van Vleck Independent School District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Van Vleck Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2013.

## Report on Internal Control Over Compliance

Management of Van Vleck Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Van Vleck Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

**Reed and  
Associates, PC**

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and Associates, PC, ou=Reed and Associates,  
PC, email=auditors@swbell.net, c=US  
Date: 2013.11.13 19:34:52 -06'00'

Reed & Associates, PC  
October 15, 2013

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2013*

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?      Yes   X   No

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

Noncompliance material to financial statements noted?      Yes   X   No

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>
10.553/10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?   X   Yes      No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2013*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Condition: Inadequate controls over the general ledger.</p> <p>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.</p>	Implemented	

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2012*

Not Applicable

**VAN VLECK INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through Texas Department of Health and Human Services: Medicaid Administrative Claiming (MAC) *	93.778	Unknown	\$ 1,005
Total U. S. Department of Health and Human Services			<u>1,005</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education: ESEA Title I Part A - Improving Basic Programs *	84.010	13610101158906	87,238
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367	13694501158906	38,991
Total Passed Through State Department of Education			<u>126,229</u>
Passed Through Bay City ISD:			
IDEA-B Formula *	84.027	136600011589016600	108,542
IDEA-B Formula *	84.027	146600011589016600	5,964
Total CFDA Number 87.027			<u>114,506</u>
IDEA-B Preschool *	84.173	136610011589016610	7,661
IDEA-B Preschool *	84.173	146610011589016610	647
Total CFDA Number 87.173			<u>8,308</u>
Total Passed Through Bay City ISD			<u>122,814</u>
Total U. S. Department of Education			<u>249,043</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401301	116,189
School Breakfast Program *	10.553	71401201	14,601
Total CFDA Number 10.553			<u>130,790</u>
National School Lunch Program *	10.555	71301301	185,350
National School Lunch Program *	10.555	71301201	22,203
Total CFDA Number 10.555			<u>207,553</u>
Total Passed Through State Department of Education			<u>338,343</u>
Passed Through State Department of Agriculture:			
Commodity Supplemental Food Program (Non-cash)	10.565	158906A	23,963
Total U. S. Department of Agriculture			<u>23,963</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 612,354</u></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, 2013*

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, 2013*

<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 unmodified 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?	\$ --