

**WATER VALLEY
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022**

*Reed, McKee & Co., P.C.
Certified Public Accountants
San Angelo, Texas*

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF BOARD	1	
FINANCIAL SECTION		
Independent Auditor's Report	2-4	
Management's Discussion and Analysis	5-10	
<u>Basic Financial Statements</u>		
Government Wide Financial Statements:		
Statement of Net Position	11	A-1
Statement of Activities	12	B-1
Fund Financial Statements		
Balance Sheet	13-14	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance	16-17	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18	C-4
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	19	C-5
Statement of Fiduciary Net Position	20	D-1
Statement of Changes in Fiduciary Net Position	21	D-2
Notes to the Financial Statements	22-49	
<u>Required Supplementary Information</u>		
Schedule of the District's Proportionate Share of the Net Pension Liability	50-51	E-1
Schedule of District Contributions	52-53	E-2
Schedule of the District's Proportionate Share of the Net OPEB Liability	54-55	E-3
Schedule of District Contributions for Other Postemployment Benefits (OPEB)	56-57	E-4
Notes to Required Supplementary Information	58	
<u>Required TEA Schedules</u>		
Schedule of Delinquent Taxes Receivable	59-60	F-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Child Nutrition Program	61	F-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Debt Service Fund	62	F-3
Use of Funds Report – Select State Allotment Programs	63	F-4
COMPLIANCE AND INTERNAL CONTROL SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64-65	
Schedule of Findings and Responses	66	

CERTIFICATE OF BOARD

Water Valley Independent School District
Name of School District

Tom Green
County

226-905
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, 2022 at a meeting of the Board of Trustees of such school district on the 9 day of January, 2023.

Jennifer Wise
Signature of Board Secretary

[Signature]
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)

FINANCIAL SECTION

Reed, McKee & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3140 EXECUTIVE DRIVE
SAN ANGELO, TEXAS 76904
(325) 942-8984

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Water Valley Independent School District
P.O. Box 250
Water Valley, Texas 76958

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Water Valley Independent School District, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise Water Valley Independent School District's basic financial statements as listed in the table of contents.

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 Water Valley Independent School District, as of August 31, 2022, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Audit Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Water Valley Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note I.E.2. to the financial statements, Water Valley Independent School District adopted new accounting pronouncement, GASB Statement No. 87, *Leases*, during the current year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Water Valley Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement or the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Water Valley Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Water Valley Independent School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 5-10) and the Required Supplementary Information (pages 50-58) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise Water Valley Independent School District's basic financial statements. The Required TEA Schedules (pages 59-63) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Required TEA Schedules 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 January 9, 2023 on our consideration of Water Valley 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Water Valley Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Water Valley Independent School District's internal control over financial reporting and compliance.



Reed, McKee & Co., P.C.
January 9, 2023

**WATER VALLEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

This section of Water Valley Independent School District's annual financial report presents our discussion and analysis of the District's financial performance for the fiscal year ended August 31, 2022. Please read it in conjunction with the Independent Auditor's report on pages 2-4, and the District's basic financial statements.

FINANCIAL HIGHLIGHTS

The District's net position as presented on Exhibit A-1, increased from \$4,479,453 to \$7,063,445. Net position consists of unrestricted amounts of \$3,139,968 which may be used to meet the District's ongoing obligations. The District also has restricted funds for debt service of \$627,769, and for the capital projects and cafeteria fund of \$124,377. Net assets invested in capital assets net of related debt totaled \$3,171,331. Total assets have increased \$2,696,840. Cash and cash equivalents decreased \$8,280,901 mainly as a result of expenditures in the capital project fund of \$10,661,302. This had the effect of increasing the net capital assets as shown in Table I on Page 8. The District did issue a new Series 2021A Bonds for \$1,970,000 which decreased the net cash effect some was offset in the long term liability by current year payments of \$2,014,466. This had the effect of leaving debt at a balance relatively unchanged from the prior year. The increases and decreases of the deferred inflows and outflows is all related to recording the correct amount of pension and post-employment benefit expense in the current year. Details of these amounts are supplied in the supporting footnotes. Other liabilities increased \$144,584 as a result of the payables related to the construction project just discussed. The only other item significant on the comparison of balances on the statement of net position is the ending liabilities for the pension and the other post-employment benefit liabilities. The detail of these accounts is shown in the following footnotes. The liability for the pension and the other post-employment benefits amount decreased from \$1,925,250 to \$1,409,605 mainly due to the rate of return on the investments set aside for this liability were greater than the projected amounts in the pension obligation.

As shown in Exhibit B-1, the District had expenses of \$6,224,791 which were \$871,976 more than comparable expenses in the prior year. The largest decrease as shown on page 9 in the table II following was in the instruction function related to increases in salaries and benefits. Also, the increase in Health Services was due to the District working with the Education Service Center XV for these services and being reimbursed for the costs which is included in miscellaneous income. As shown on Exhibit B-1 the total expenses were reduced for charges for services of \$124,883 and operating grants of \$767,806 leaving net expenses of \$5,332,102 which were funded by general revenues of \$7,881,095 resulting in a \$2,548,993 increase in the net position. Most of this increase is due to payments on 313 contracts during the year of \$2,295,637. The District also uses some of the payments to establish an Education fund and Scholarship fund which is a related organization maintained by the San Angelo Area Foundation. Total revenues from all sources were \$8,773,784 compared to \$6,117,202 from the prior year. Property tax revenues were down due to a decrease in assessed values and the funding from the state increased with the average daily attendance increasing from 299 to 335. There was a prior period adjustment increasing net position by \$34,999 due to certain funds that were treated as custodial funds in prior year were considered special revenue funds in the current year due to the implementation of GASB 84.

The fund financial statements as shown in Exhibits C-1 and C-3 show the financial information on a fund basis. The net increase in the general fund balance is \$688,249 due to increases in revenues from state funding as noted above and the additional 313 agreements. Expenses in the general fund increased \$755,496 and were funded with increases in the general fund revenue of \$594,538. The committed fund balance of \$190,000 remained the same as the prior year. The unassigned fund balance is \$5,065,710 as of year-end and represents those funds available for future operations. Based upon current expenditures in the general fund, the unassigned balance represents approximately twelve months of operations. Local revenues for the current year represent 54% of total revenues and state and federal revenues equal 46% of total revenues. The increase in percentage of local revenues again is due to the large 313 payments as noted earlier. Total salaries and benefits in the general fund totaled \$3,569,795 compared to \$3,026,945 in the prior year. The percentage of salaries and benefits to the total expenses excluding the capital outlay for the improvements was 68% of expenses.

**WATER VALLEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

The Debt Service Fund shows a net increase in tax collections and other revenues over principal and interest requirements of \$43,621. The capital project fund received the new 2021A bond proceeds and net premium of \$2,090,000 and spent 10,661,302 of those proceeds and prior proceeds on the capital project leaving a fund balance of \$2,655,326 to be spent on the project going forward. The other fund balances consists mainly of the activity in the federal and state grant programs. The fund balance in the other funds is related to the balance left in the cafeteria fund and certain special revenue funds.

Exhibit C-5 demonstrates that the District originally planned for a \$1,200 decrease to the fund balance. This was subsequently amended to show an increase of \$178,390 in fund balance as revenue estimates were increased and expenditure estimates increased. As can be seen from comparison of actual amounts to the amended budget, actual revenues were \$257,192 more than anticipated while expenses were \$220,137 less than anticipated. As can be seen by amending the budget, management was aware of the changes during the year to properly monitor this budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The government-wide financial statements include the statement of net position and the statement of activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial report of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statement of fiduciary net assets provides financial information about student activity funds. The District acts solely in a custodial manner in regard to these funds.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The required supplementary information includes information required by the governmental accounting standards, as well as, information required by the Texas Education Agency.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The statement of net position includes all the District's assets and liabilities at the end of the year while the statement of activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

**WATER VALLEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets plus deferred outflows less liabilities plus deferred inflows) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the statement of net position and the statement of activities, we present all the activities of the District as one governmental activity which is defined below.

Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants passed through the Texas Education Agency. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The fund financial statements reflect the general fund as the only major fund and all other funds combined in a column referred to as all other funds. All these funds are determined to be governmental funds as defined below.

Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**WATER VALLEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities increased from 4,479,453 to \$7,063,445. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – are \$3,139,968 at August 31, 2022. As shown below there is an overall increase in net position of \$2,583,992 which is explained in the financial highlights.

Table I - NET POSITION

	Governmental Activities 2022	Governmental Activities 2021	Increase (Decrease)
Current and other assets	\$ 10,417,743	\$ 18,024,574	\$ (7,606,831)
Capital assets	19,340,096	9,036,425	10,303,671
Total assets	<u>29,757,839</u>	<u>27,060,999</u>	<u>2,696,840</u>
Deferred outflows of resources	<u>827,867</u>	<u>955,505</u>	<u>(127,638)</u>
Long-term liabilities	18,927,726	19,384,657	(456,913)
Other liabilities	3,026,276	2,881,692	144,584
Total liabilities	<u>21,954,002</u>	<u>22,266,349</u>	<u>(312,347)</u>
Deferred inflows of resources	<u>1,568,259</u>	<u>1,270,702</u>	<u>297,557</u>
Net position:			
Net investment in capital assets	3,171,331	1,603,728	1,567,603
Restricted for debt service	627,769	482,766	145,003
Restricted for Other Purposes	124,377	18,064	106,313
Unrestricted	3,139,968	2,374,895	765,073
Total net position	<u>\$ 7,063,445</u>	<u>\$ 4,479,453</u>	<u>\$ 2,583,992</u>

Included within the net position for the current year is an amount restricted for other purposes of \$50,207. This amount represents the net profit from the cafeteria operations that is maintained within that fund as restricted for future operations of the cafeteria and the restricted balance related to the capital projects being spent as a result of the bond funding. The remaining balance of \$35,037 is related to the special revenue funds that were previously classified as custodial funds in the prior year.

**WATER VALLEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

Table II - CHANGES IN NET POSITION

	Governmental Activities 2022	Governmental Activities 2021	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 124,883	\$ 75,671	\$ 49,212
Operating grants and contributions	767,806	521,083	246,723
General revenues:			
Property taxes, levied for general purposes	1,608,616	1,835,373	(226,757)
Property taxes, levied for debt service	576,041	695,308	(119,267)
State aid - formula grants	3,170,745	2,546,559	624,186
Investment earnings	54,349	16,619	37,730
Grants and Contributions not Restricted	0	25,000	(25,000)
Chapter 313 payments	2,295,637	242,600	2,053,037
Miscellaneous	175,707	158,989	6,718
Total revenue	8,773,784	6,117,202	2,656,582
Expenses:			
Instruction	2,676,549	2,403,376	273,173
Instructional resources and media services	8,584	9,747	(1,163)
Curriculum and staff development	24,007	27,453	(3,446)
School leadership	257,709	267,648	(9,939)
Guidance, counseling and evaluation service	147,250	50,100	97,150
Health services	34,609	818	33,791
Student (pupil) transportation	250,791	222,831	27,960
Food services	224,526	203,704	20,822
Extracurricular activities	388,650	267,521	121,129
General administration	466,859	399,446	67,413
Facilities maintenance and operations	771,502	719,131	52,371
Security and monitoring services	35,722	23,654	12,068
Data processing services	73,487	72,860	627
Debt service – interest on long term debt	285,614	224,038	61,576
Debt service – bond issuance costs and fees	89,301	157,852	(68,551)
Capital Outlay	59,459	23,654	35,805
Payments related to shared service arrang	430,172	278,982	151,190
Total expenses	6,224,791	5,352,815	871,976
Change in net position	2,548,993	764,387	1,784,606
Net position – beginning	4,479,453	3,727,893	751,560
Prior Period Adjustment	34,999	(12,827)	47,826
Net position – ending	\$ 7,063,445	\$ 4,479,453	\$ 2,583,992

**WATER VALLEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

THE DISTRICT'S FUNDS

As the District completed the year, its general fund reported an unassigned fund balance of \$5,065,710 and a committed fund balance of \$190,000. The reserved fund balance consists of reserved balances for the following:

Building Construction	\$ 40,000
Bus Purchases	50,000
Technology	100,000

As shown on Exhibit C-3, the District's net change in fund balance for all governmental funds was a decrease of \$7,768,118 which consists of an increase in the general fund balance of \$688,249 and \$43,621 increase in the debt service fund, a \$8,544,607 decrease in the capital project fund, and an increase in the other funds of \$44,619.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had \$27,166,018 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. Accumulated depreciation on these assets amounted to \$7,825,922. The current year did include \$10,661,302 related to construction in progress for the expenditure of amounts in the capital project fund. The other additions included purchase of equipment. Additional details in regards to this can be seen in footnote III E to these financial statements.

Debt

As shown in these financial statements, the District had total debt of \$18,810,807 including the related accrued interest payable. The District did issue new debt and it is shown as Series 2021A bonds. Details in regards to this debt can be seen in Footnote III F to these financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District has adopted a 2023 fiscal year budget for the General Fund in the amount of \$5,132,835. Tax rates for maintenance and operations are \$.94290 per \$100 value while the tax rate for the Interest and Sinking Funds was set at \$.357100 per \$100 value.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If there are questions concerning any of the information provided in this report or a request for additional information, please contact the District's business office, at Water Valley Independent School District, P.O. Box 250, Water Valley, Texas 76958 or (325) 484-2478.

BASIC FINANCIAL STATEMENTS

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2022

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 9,462,845
1220 Property Taxes - Delinquent	70,449
1230 Allowance for Uncollectible Taxes	(23,797)
1240 Due from Other Governments	908,246
Capital Assets:	
1510 Land	16,007
1520 Buildings, Net	5,035,317
1530 Furniture and Equipment, Net	468,468
1580 Construction in Progress	13,820,304
1000 Total Assets	29,757,839
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	263,896
1706 Deferred Outflow Related to TRS OPEB	563,971
1700 Total Deferred Outflows of Resources	827,867
LIABILITIES	
2110 Accounts Payable	1,536,049
2160 Accrued Wages Payable	192,674
2200 Accrued Expenses	4,867
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	1,292,686
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	17,518,121
2540 Net Pension Liability (District's Share)	384,445
2545 Net OPEB Liability (District's Share)	1,025,160
2000 Total Liabilities	21,954,002
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	467,063
2606 Deferred Inflow Related to TRS OPEB	1,101,196
2600 Total Deferred Inflows of Resources	1,568,259
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	3,171,331
Restricted:	
3820 Restricted for Federal and State Programs	50,207
3850 Restricted for Debt Service	627,769
3860 Restricted for Capital Projects	39,133
3890 Restricted for Other Purposes	35,037
3900 Unrestricted	3,139,968
3000 Total Net Position	\$ 7,063,445

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

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 2,676,549	\$ -	\$ 399,182	\$ (2,277,367)
12	Instructional Resources and Media Services	8,584	-	-	(8,584)
13	Curriculum and Instructional Staff Development	24,007	-	12,266	(11,741)
23	School Leadership	257,709	-	(2,667)	(260,376)
31	Guidance, Counseling, and Evaluation Services	147,250	-	89,505	(57,745)
33	Health Services	34,609	-	27,295	(7,314)
34	Student (Pupil) Transportation	250,791	-	(1,137)	(251,928)
35	Food Services	224,526	24,640	247,863	47,977
36	Extracurricular Activities	388,650	18,843	(1,341)	(371,148)
41	General Administration	466,859	75,000	(2,387)	(394,246)
51	Facilities Maintenance and Operations	771,502	6,400	(1,989)	(767,091)
52	Security and Monitoring Services	35,722	-	-	(35,722)
53	Data Processing Services	73,487	-	(502)	(73,989)
72	Debt Service - Interest on Long-Term Debt	285,614	-	1,718	(283,896)
73	Debt Service - Bond Issuance Cost and Fees	89,301	-	-	(89,301)
81	Capital Outlay	59,459	-	-	(59,459)
93	Payments Related to Shared Services Arrangements	430,172	-	-	(430,172)
[TP]	TOTAL PRIMARY GOVERNMENT:	\$ 6,224,791	\$ 124,883	\$ 767,806	(5,332,102)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			1,608,616	
DT	Property Taxes, Levied for Debt Service			576,041	
SF	State Aid - Formula Grants			3,170,745	
IE	Investment Earnings			54,349	
MI	Miscellaneous Local and Intermediate Revenue			175,707	
SI	Special Item - Chapter 313			2,295,637	
TR	Total General Revenues and Special Items			7,881,095	
CN	Change in Net Position			2,548,993	
NB	Net Position - Beginning			4,479,453	
PA	Prior Period Adjustment			34,999	
NE	Net Position - Ending			\$ 7,063,445	

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

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 4,670,532	\$ 638,849	\$ 4,159,822
1220 Property Taxes - Delinquent	55,173	15,276	-
1230 Allowance for Uncollectible Taxes	(19,914)	(3,883)	-
1240 Due from Other Governments	796,168	2,372	-
1000 Total Assets	<u>\$ 5,501,959</u>	<u>\$ 652,614</u>	<u>\$ 4,159,822</u>
LIABILITIES			
2110 Accounts Payable	\$ 31,553	\$ -	\$ 1,504,496
2160 Accrued Wages Payable	175,771	-	-
2200 Accrued Expenditures	3,666	-	-
2000 Total Liabilities	<u>210,990</u>	<u>-</u>	<u>1,504,496</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	35,259	11,393	-
2600 Total Deferred Inflows of Resources	<u>35,259</u>	<u>11,393</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	2,655,326
3480 Retirement of Long-Term Debt	-	641,221	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	40,000	-	-
3530 Capital Expenditures for Equipment	50,000	-	-
3545 Other Committed Fund Balance	100,000	-	-
3600 Unassigned Fund Balance	5,065,710	-	-
3000 Total Fund Balances	<u>5,255,710</u>	<u>641,221</u>	<u>2,655,326</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,501,959</u>	<u>\$ 652,614</u>	<u>\$ 4,159,822</u>

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

Other Funds	Total Governmental Funds
\$ (6,358)	\$ 9,462,845
-	70,449
-	(23,797)
109,706	908,246
<u>\$ 103,348</u>	<u>\$ 10,417,743</u>
\$ -	\$ 1,536,049
16,903	192,674
1,201	4,867
<u>18,104</u>	<u>1,733,590</u>
-	46,652
<u>-</u>	<u>46,652</u>
50,207	50,207
-	2,655,326
-	641,221
35,037	35,037
-	40,000
-	50,000
-	100,000
-	5,065,710
<u>85,244</u>	<u>8,637,501</u>
<u>\$ 103,348</u>	<u>\$ 10,417,743</u>

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2022

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	8,637,501
1 Net capital assets used in governmental activities are reported in the Statement of Net Position.		19,340,096
2 The district's contributions to TRS and TRS-Care subsequent to the 8/31/21 net pension and OPEB liability date as well as the district's proportionate share of the TRS and TRS-Care collective deferred outflows are reported in the Statement of Net Position.		827,867
3 Bonds and notes payable (including premiums and accrued interest thereon) are reported in the Statement of Net Position.		(18,810,807)
4 The district's proportionate share of the TRS net pension and TRS-Care net OPEB liabilities are reported in the Statement of Net Position.		(1,409,605)
5 The district's proportionate share of the TRS and TRS-Care collective deferred inflows are reported in the Statement of Net Position.		(1,568,259)
6 Net delinquent property taxes receivable are not deferred in the Statement of Net Position.		46,652
19 Net Position of Governmental Activities	\$	7,063,445

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

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 2,357,918	\$ 2,385,518	\$ 26,695
5800 State Program Revenues	3,404,037	1,718	-
5900 Federal Program Revenues	-	-	-
5020 Total Revenues	<u>5,761,955</u>	<u>2,387,236</u>	<u>26,695</u>
EXPENDITURES:			
Current:			
0011 Instruction	2,585,051	-	-
0012 Instructional Resources and Media Services	8,584	-	-
0013 Curriculum and Instructional Staff Development	13,016	-	-
0023 School Leadership	284,440	-	-
0031 Guidance, Counseling, and Evaluation Services	70,859	-	-
0033 Health Services	37,252	-	-
0034 Student (Pupil) Transportation	187,336	-	-
0035 Food Services	7,511	-	-
0036 Extracurricular Activities	376,867	-	-
0041 General Administration	417,597	-	-
0051 Facilities Maintenance and Operations	443,963	-	-
0052 Security and Monitoring Services	25,620	-	-
0053 Data Processing Services	78,001	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	45,716	1,635,000	-
0072 Interest on Long-Term Liabilities	2,262	708,615	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	59,459	-	10,661,302
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	430,172	-	-
6030 Total Expenditures	<u>5,073,706</u>	<u>2,343,615</u>	<u>10,661,302</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>688,249</u>	<u>43,621</u>	<u>(10,634,607)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued	-	-	1,970,000
7916 Premium or Discount on Issuance of Bonds	-	-	209,301
8949 Other (Uses)	-	-	(89,301)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,090,000</u>
1200 Net Change in Fund Balances	688,249	43,621	(8,544,607)
0100 Fund Balance - September 1 (Beginning)	4,567,461	597,600	11,199,933
1300 Increase (Decrease) in Fund Balance	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 5,255,710</u>	<u>\$ 641,221</u>	<u>\$ 2,655,326</u>

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

	Other Funds	Total Governmental Funds
\$	134,594	\$ 4,904,725
	28,077	3,433,832
	707,037	707,037
	869,708	9,045,594
	384,163	2,969,214
	-	8,584
	12,266	25,282
	-	284,440
	90,271	161,130
	-	37,252
	-	187,336
	228,473	235,984
	34,916	411,783
	75,000	492,597
	-	443,963
	-	25,620
	-	78,001
	-	1,680,716
	-	710,877
	-	10,720,761
	-	430,172
	825,089	18,903,712
	44,619	(9,858,118)
	-	1,970,000
	-	209,301
	-	(89,301)
	-	2,090,000
	44,619	(7,768,118)
	5,626	16,370,620
	34,999	34,999
\$	85,244	\$ 8,637,501

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(7,768,118)
Capital outlay expenditures are capitalized in the government-wide financial statements.		10,764,970
Depreciation of capital assets is recognized in the government-wide financial statements.		(461,230)
Proceeds from the issuance of bonds (including premiums) are reported as an increase in liabilities in the government-wide financial statements.		(2,179,301)
Repayments of principal on bonds and notes payable are reported as a decrease in liabilities in the government-wide financial statements.		1,680,716
Premiums received on the original issuance of bonds payable are reported in the government-wide financial statements. The current year amortization is recognized in the Statement of Activities.		333,750
Accrued interest on bonds and notes payable is reported in the government-wide financial statements. The current year decrease is recognized in the Statement of Activities.		91,513
TRS pension and TRS-Care OPEB expense as reported in the Statement of Activities and determined under the provisions of GASB 68 and 75 (which includes the State of Texas' proportionate share of the district's expense) was \$358,503 less than the amount reported in the fund financial statements. The State of Texas' proportionate share of the district's expense is recorded as a revenue and expense in the Statement of Activities and was \$268,053 less than the statutory amount contributed and reported as on-behalf revenue and expenditure in the fund financial statements.		90,450
Net delinquent property taxes receivable are not deferred in the government-wide financial statements. The current year decrease is recognized in the Statement of Activities.		(3,757)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>2,548,993</u>

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

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,148,603	\$ 2,148,603	\$ 2,357,918	\$ 209,315
5800 State Program Revenues	2,639,390	3,356,160	3,404,037	47,877
5020 Total Revenues	4,787,993	5,504,763	5,761,955	257,192
EXPENDITURES:				
Current:				
0011 Instruction	2,500,772	2,717,217	2,585,051	132,166
0012 Instructional Resources and Media Services	10,000	8,522	8,584	(62)
0013 Curriculum and Instructional Staff Development	12,535	11,069	13,016	(1,947)
0023 School Leadership	297,403	300,569	284,440	16,129
0031 Guidance, Counseling, and Evaluation Services	75,179	75,526	70,859	4,667
0033 Health Services	1,000	37,252	37,252	-
0034 Student (Pupil) Transportation	215,000	191,772	187,336	4,436
0035 Food Services	9,000	8,994	7,511	1,483
0036 Extracurricular Activities	281,882	386,200	376,867	9,333
0041 General Administration	410,681	433,423	417,597	15,826
0051 Facilities Maintenance and Operations	475,117	446,391	443,963	2,428
0052 Security and Monitoring Services	10,000	25,620	25,620	-
0053 Data Processing Services	92,814	81,010	78,001	3,009
Debt Service:				
0071 Principal on Long-Term Liabilities	44,800	45,716	45,716	-
0072 Interest on Long-Term Liabilities	3,500	2,262	2,262	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	10,000	61,960	59,459	2,501
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	317,000	470,360	430,172	40,188
6030 Total Expenditures	4,766,683	5,303,863	5,073,706	230,157
1100 Excess of Revenues Over Expenditures	21,310	200,900	688,249	487,349
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(22,510)	(22,510)	-	22,510
1200 Net Change in Fund Balances	(1,200)	178,390	688,249	509,859
0100 Fund Balance - September 1 (Beginning)	4,567,461	4,567,461	4,567,461	-
3000 Fund Balance - August 31 (Ending)	\$ 4,566,261	\$ 4,745,851	\$ 5,255,710	\$ 509,859

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

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2022

	Custodial Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 80,910
Total Assets	<u>80,910</u>
NET POSITION	
Restricted for Campus Activities	<u>80,910</u>
Total Net Position	<u><u>\$ 80,910</u></u>

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

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Custodial Fund
ADDITIONS:	
Contributions to Student Groups	\$ 1,531
Fundraising Activities	85,126
Cocurricular Services or Activities	9,109
Total Additions	95,766
DEDUCTIONS:	
Scholarships	500
Supplies and Materials	60,036
Other Deductions	831
Total Deductions	61,367
Change in Fiduciary Net Position	34,399
Total Net Position - September 1 (Beginning)	81,510
Prior Period Adjustment	(34,999)
Total Net Position - August 31 (Ending)	\$ 80,910

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

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

I. Summary of Significant Accounting Policies

Water Valley Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 76 and complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflow of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Water Valley Independent School District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. Reporting Entity

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the nonfiduciary activities of the primary government with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

B. Government-Wide and Fund Financial Statements – Continued

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column include payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use 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 the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The Fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus all assets and all liabilities associated with the operations of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. Fund Accounting

The District reports the following major governmental funds:

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

Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Capital Projects Fund –The proceeds from long-term financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

D. Fund Accounting- Continued

Fiduciary Funds:

Custodial Funds – The District accounts for resources held for others in a custodial capacity in custodial funds. These funds are used to account for assets held by the District as a custodian for student and other organizations.

E. Other Accounting Policies

1. The District records purchases of supplies as expenditure when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as expenditures and revenue of an equal amount.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable reported net of the applicable bond premium or discount. The District Implemented GASB 87 for reporting leases during this reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to-use lease liability is reported in the government wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense. The District had no leases requiring the recording in the current period.
3. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in governmental fund types as other sources during the current period. Monthly payments are reported as principal and interest payments during the reporting period in the fund level statements.
4. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.
5. Land, buildings, and equipment are reported in the applicable governmental activities column in the government-wide financial statements. These capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2022

E. Other Accounting Policies - Continued

The right-to-use lease asset capitalization level is determined by the Board. The term of the lease must be the non-cancelable period during which the District has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87 . If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made. Note with existing contracts that were evaluated as leases for this year of implementation, the recording of the lease asset and liability would not be reported in governmental fund statements but would be reported in the government wide statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and equipment of the District are depreciated using the straight line method over the following estimated useful lives or, for the lease asset, for the term of the lease if the estimated useful life is longer than the term of the lease if there is an option to purchase which is expected to be exercised:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20-30
Vehicles	5
Equipment	5-10
Right-to-use	None in current year

6. The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.
7. In the fund financial statements, governmental funds report in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. The *nonspendable* classification represents assets that will be consumed or must be maintained intact and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specific how fund resources can be used in the *restricted* classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – *committed, assigned, and unassigned*.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board’s commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since the practice would commit funds that the District does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

E. Other Accounting Policies - Continued

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board of Trustees may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board of Trustees by a majority vote in a scheduled meeting.

When the District makes expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditure should be charged to committed if directly associated with the specific commitment, to assigned if directly associated with the specific assignment, and to unassigned if not directly associated with either the specific commitment or specific assignment.

8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
9. In general governments are required to report investments at fair value. These methods are disclosed in section III.A below.
10. 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 and so will not be recognized as an outflow or resources until then. See the pension footnote for a further description of these amounts.
11. In addition to liabilities, the statement of net 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 and so will not be recognized as an inflow of resources until that time. One type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category is uncollected property taxes which are reported on the balance sheet for governmental funds. The other items reported in this category are discussed in the pension footnote.
12. The preparation of financial statements in conformity with GAAP requires the use of management estimates.
13. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

II. Stewardship, Compliance, and Accountability

A. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Child Nutrition Program (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are presented in Exhibits F-2 and F-3.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

II. Stewardship, Compliance, and Accountability-Continued

A. Budgetary Data- Continued

The following procedures are followed in establishing the budgetary data reflected in the fund financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

B. Excess of Expenditures over Appropriations

The expenditures exceeded the budget in the following functions in the following funds:

General Fund

Instructional Resources and Media Services	\$ 62
Curriculum and Instructional Staff Development	1,947

III. Detailed Notes on all Funds and Account Groups

A. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair market value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits. The District was not exposed to custodial credit risk.

Foreign Currency Risk – The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by having no deposits denominated in a foreign currency. Therefore, the District was not exposed to foreign currency risk.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2022

A. Cash, Cash Equivalents and Investments- Continued

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Public Funds Investment Pools - Public funds investment pools in Texas (“Pools”) are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participates in the pool and other person who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying portfolio within one half of one percent of the value of its shares.

The District’s investments in Pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

As of August 31, 2022, the following are the District’s cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Year</u>	<u>1-10 Years</u>	<u>Rating</u>
Money Market and FDIC					
Insured Accounts	\$2,357,743	24.7%	\$2,357,743	0	N/A
Certificates of Deposit	642,257	6.7%	642,257	0	N/A
Investment Pools:					
Tex Pool	<u>6,543,755</u>	68.6%	6,543,755	0	AAAm
Total Cash and Cash Equivalents	<u>\$9,543,755</u>	100.0%	<u>\$ 9,543,755</u>		

Investments

District Policies and legal and Contractual Provisions Governing Investments

The *Public Funds Investment Act* (Government Code Chapter 2256) contains specific provisions in the stment practices, management reports, and establishment of appropriate polices. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff qualify and capabilities, (9) and bid solicitation preferences for certificates of deposit.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

A. Cash, Cash Equivalents and Investments- Continued

Investments

District Policies and legal and Contractual Provisions Governing Investments

Statutes authorized the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an “A”, (4) no load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or one nationally recognized credit agency and is fully secured by an irrevocable letter of credit , (7) secured corporate bonds rated not lower than “AA-“ or the equivalent, (8) public fund investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Water Valley Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for Water Valley Independent School District are specified below:

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limit investments in certain investments to the top ratings issued by nationally recognized statistical rating organizations. As of August 31, 2022, all of the District’s investments were rated AAA by Standard & Poor’s rating agency. Therefore, the District was not exposed to credit risk.

Custodial Credit Risk – Investments: To limit the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District’s name and held by the District or its agent. The District was not exposed to custodial credit risk.

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government’s investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they could cause investment risks to be significantly greater in the governmental activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. The District was not exposed to concentration of credit risk.

Interest Rate Risk: To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that a majority of the investments portfolio to have maturities of less than one year. The District was not exposed to interest rate risk.

Foreign Currency Risk for Investments the District limits the risk that changes in exchange rates will adversely affect the fair value of an investment. The District was not exposed to foreign currency risk.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

A. Cash, Cash Equivalents and Investments- Continued

Investments

District Policies and legal and Contractual Provisions Governing Investments

The District categorizes its fair value measurement with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized base on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurement requires judgement and considers factors specific to each asset or liability.

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District 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 31 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.

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Interfund Balances and Transfers

Interfund balances for the year ended August 31, 2022 consisted of the following amounts:

There were no interfund balances or transfers in the current year.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

E. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2022 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 16,007	\$ 0	\$ 0	\$ 16,007
Buildings and Improvements	11,662,206	0	0	11,662,206
Equipment	649,550	103,668	0	753,218
Vehicles	983,983	0	(69,700)	914,283
Construction in Progress	3,159,002	10,661,302	0	13,820,304
Totals at Historic Cost	16,470,748	10,764,970	(69,700)	27,166,018
Less Accumulated Depreciation for:				
Buildings and Improvements	(6,279,238)	(347,651)	0	(6,279,238)
Equipment	(416,707)	(39,877)	0	(416,707)
Vehicles	(738,447)	(73,702)	69,700	(738,447)
Total Accumulated Depreciation	(7,434,392)	(461,230)	69,700	(7,434,392)
Governmental Activities Capital Assets, Net	<u>\$9,036,356</u>	<u>10,303,740</u>	<u>\$ 0</u>	<u>\$ 19,340,096</u>

Depreciation expense was charged to governmental functions on the Statement of Activities as follows:

Instruction	\$ 9,905
Student (Pupil) Transportation	73,702
Co-Curricular/Extracurricular Activities	15,856
Food Services	655
Plant Maintenance and Operations	351,010
Security and Monitoring Services	10,102
Total Depreciation Expense	<u>\$ 461,230</u>

F. Long-Term Obligations Payable

Unlimited Tax Refunding Bonds, Series 2014

These bonds were issued to partially advance refund the Series 2005 issue for the purpose of building a new gymnasium. The original amount issued was \$1,270,000 and is scheduled to mature February 15, 2034 with interest rates of 2% to 4%. The bonds are to be repaid from local property tax collections with principal payments due on February 15th of each year and interest on the bonds is due semiannually on February 15th and August 15th of each year.

Maintenance Tax Note, Series 2015

This note was issued for the purpose of track and stadium renovations. The original amount issued was \$305,250 at 2.45% and is scheduled to be repaid in seven annual installments of \$47,984 through October 15, 2022. The note will be repaid from all available current revenues of the District, including maintenance and operation tax revenue.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

F. Long - Term Obligations Payable - continued

Unlimited Tax School Building Bonds, Series 2020

These bonds were issued to acquire, construct, renovate and equip school facilities and purchase school buses. The original amount issued was \$8,555,000 and is scheduled to mature February 15, 2050 with a 4% interest rate. The bonds are to be repaid from local property tax collections with principal payments due on February 15th of each year and interest on the bonds is due semiannually on February 15th and August 15th of each year.

Unlimited Tax School Building & Refunding Bonds, Series 2021

These bonds were issued to (1) acquire, construct, renovate and equip school facilities and purchase school buses and (2) refund \$1,355,000 of Unlimited Tax Refunding Bonds, Series 2011 for debt service savings. The original amount issued was \$6,995,000 and is scheduled to mature February 15, 2051 with a 3% interest rate. The bonds are to be repaid from local property tax collections with principal payments due on February 15th of each year and interest on the bonds is due semiannually on February 15th and August 15th of each year.

Unlimited Tax School Building Bonds, Series 2021A

These bonds were issued to acquire, construct, renovate and equip school facilities and purchase school buses. The original amount issued was \$1,970,000 and is schedule to mature February 15, 2051 with interest rates to 3% to 4%. The bonds are to be repaid from local property tax collections with principal payments due on February 15th of each year and interest on the bonds is due semiannually on February 15th and August 15th of each year.

	<u>Beginning Balance</u>	<u>Accretion/ Additions</u>	<u>Amortization/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2014 Bonds					
Maturity Value	\$ 980,000	\$ 0	\$ 60,000	\$ 920,000	
Net Premium	<u>17,556</u>	<u>0</u>	<u>4,373</u>	<u>13,183</u>	
	<u>997,556</u>	<u>0</u>	<u>64,373</u>	<u>933,183</u>	\$ 65,000
Series 2020 Bonds					
Maturity Value	8,555,000	0	685,000	7,870,000	
Net Premium	<u>1,214,518</u>	<u>0</u>	<u>195,328</u>	<u>1,019,190</u>	
	<u>9,769,518</u>	<u>0</u>	<u>880,328</u>	<u>8,889,190</u>	680,000
Series 2021 Bonds					
Maturity Value	6,995,000	0	370,000	6,625,000	
Net Premium	<u>765,496</u>	<u>0</u>	<u>111,099</u>	<u>654,397</u>	
	<u>7,760,496</u>	<u>0</u>	<u>481,099</u>	<u>7,279,397</u>	445,000
Series 2021A Bonds					
Maturity Value	0	1,970,000	520,000	1,450,000	
Net Premium	<u>0</u>	<u>209,301</u>	<u>22,950</u>	<u>186,351</u>	
	<u>0</u>	<u>2,179,301</u>	<u>542,950</u>	<u>1,636,351</u>	30,000
Series 2015 Maint- enance Tax Note	<u>92,553</u>	<u>0</u>	<u>45,716</u>	<u>46,837</u>	<u>46,837</u>
Totals	<u>\$ 18,620,123</u>	<u>\$ 2,179,301</u>	<u>\$ 2,014,466</u>	<u>\$ 18,784,958</u>	<u>\$ 1,266,837</u>

Accrued interest payable	<u>25,849</u>
Total noncurrent liabilities	18,810,807
Due within one year (including accrued interest payable)	<u>(1,292,686)</u>
Due in more than one year	<u>\$ 17,518,121</u>

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

F. Long - Term Obligations Payable - continued

The combined future minimum payments for all long-term debt are as follows. These amounts do not take into effect the net premiums above. The combined totals consist of \$920,000 Series 2014 Bonds, \$7,870,000 Series 2020 Bonds, \$6,625,000 Series 2021 Bonds, \$1,450,000 Series 2021A Bonds, and \$46,837 of Series 2015 Maintenance Tax Note. Annual debt service requirements are as follows:

<u>Year Ending August 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,266,837	\$ 575,745	\$ 1,842,582
2024	1,205,000	531,523	1,736,523
2025	1,190,000	488,722	1,678,722
2026	1,180,000	446,098	1,626,098
2027	1,155,000	404,160	1,559,160
2028	1,135,000	362,910	1,497,910
2029	1,110,000	322,335	1,432,335
2030	1,085,000	282,735	1,367,735
2031	1,015,000	245,287	1,260,287
2032	235,000	223,568	458,568
2033	235,000	215,905	450,905
2034	255,000	207,907	462,907
2035	255,000	199,350	454,350
2036	265,000	190,400	455,400
2037	275,000	181,125	456,125
2038	285,000	171,500	456,500
2039	295,000	161,525	456,525
2040	300,000	151,250	451,250
2041	315,000	140,600	455,600
2042	325,000	129,250	454,250
2043	340,000	117,175	457,175
2044	350,000	104,650	454,650
2045	365,000	91,650	456,650
2046	375,000	78,175	453,175
2047	395,000	64,175	459,175
2048	405,000	49,975	454,975
2049	420,000	35,675	455,675
2050	435,000	20,875	455,875
2051	445,000	6,675	451,675
Totals	<u>\$ 16,911,837</u>	<u>\$ 6,200,920</u>	<u>\$ 23,112,757</u>

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2022

G. Fund Balances / Net Position

Fund balances consist of restricted balances which are set aside for retirement of debt of \$641,221, capital projects funds from the new bond issue of \$2,655,326, and restricted for federal or state fund grants of \$85,244. Committed fund balance consists of the following amounts which were approved by the Board of Trustees.

Building Construction		\$ 40,000
Transportation		50,000
Technology		<u>100,000</u>
 Total		 <u>\$ 190,000</u>

The remaining fund balance of \$5,065,710 is unassigned and available for operations of the next year.

Net position of the District totaled \$7,063,445 and consisted of the following amounts:

- Net investment in Capital Assets, net of debt of \$3,171,331
- Unrestricted of \$3,139,968
- Restricted funds for the Debt Service, Capital Projects, and Food Service of \$752,146.

H. Defined Benefit Pension Plan

Plan Description. Water Valley Independent School District participates in a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

H. Defined Benefit Pension Plan – Continued

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits.

State laws requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payments to the retirees. In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers, and active employees for the fiscal years 2019 through 2024.

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- All public schools, charter schools and regional education service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025. The surcharge for fiscal year 2022 is 1.7 percent.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

H. Defined Benefit Pension Plan – Continued

The following table shows contribution rates by type of contributor for the fiscal years 2021 and 2022.

	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2022</u>
Member	7.7%	8.00%
Non-Employer Contributing Entity (State)	7.5%	7.75%
Employers	7.5%	7.75%
Current fiscal year District contributions		\$ 85,785
Current fiscal year Member contributions		\$ 226,554
Measurement year NECE On-Behalf contributions		\$ 164,043

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

Net Pension Liability

Components of the net pension liability of the plan as of August 31, 2021 are disclosed below: (From TRS Annual Comprehensive Financial Report 2021, p 86.)

Components of Liability	Amount
Total Pension Liability	\$ 227,273,463,630
Less: Plan Fiduciary Net Position	<u>(201,801,002,496)</u>
Net Pension Liability	<u>\$ 25,466,461,134</u>

Actuarial Assumptions

Roll Forward – The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System’s actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018.

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

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2022

G. Defined Benefit Pension Plan – Continued

The long-term expected rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following table discloses the assumptions that were applied to this measurement period. (From TRS Annual Comprehensive Financial Report 2021 p.87.)

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Rate	7.25%
Municipal Bond Rate as of 8-31-2020	1.95% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2120
Inflation	2.30%
Salary Increases including Inflation	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the TRS actuarial valuation report dated November 9, 2020.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, contributing employers and the non-employer contributing entity are made at the statutorily required rates set by the Legislature during the 2019 legislative session. It is assumed the future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods or projected benefit payments to determine the total pension liability.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

G. Defined Benefit Pension Plan - Continued

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021, are presented in the Asset Allocations the following table from the TRS Comprehensive Annual Financial Report for 2021, page 53.

Asset Class	Target Allocation%*	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long Term Portfolio Returns
Global Equity			
U.S.	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00	4.40	0.83
Emerging Markets	9.00	4.60	0.74
Private Equity	14.00	6.30	1.36
Stable Value			
Government Bonds	16.00	(0.2)	0.01
Absolute Return	----	1.10	----
Stable Value Hedge Funds	5.00	2.20	0.12
Real Return			
Real Estate	15.00	4.50	1.00
Energy and Natural Resources	6.00	4.70	0.35
Commodities	----	1.70	----
Risk Parity			
Risk Parity	8.00	2.80	0.28
Asset Allocation Leverage			
Cash	2.00	(0.70)	(0.01)
Asset Allocation Leverage	(6.00)	(0.50)	0.03
Inflation Expectation			2.20
Volatility Drag***			(0.95)

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY 2021 policy model

*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021)

**** The volatility drag results from the conversion between arithmetic and geometric mean returns

Discount Rate Sensitivity Analysis. The following table presents the District's net pension liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Proportionate share of the Net Pension Liability	\$ 840,073	\$ 384,445	\$ 14,792

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

G. Defined Benefit Pension Plan - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2022, the District reported a liability of \$384,445 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate of the net liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 384,445
State's proportionate share that is associated with the District	<u>978,936</u>
Total	<u>\$ 1,363,381</u>

The net pension liability was measured as of August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020 rolled forward to August 31, 2021. The employer's portion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0015096130% which was a decrease of 0.0000270952% from its proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation – There were no changes in assumptions since the prior measurement date.

Changes in Benefits – There were no changes in benefits

For the year ended August 31, 2022, the District recognized pension expense of \$50,293. This expense represents the District's proportionate share of GASB 68 expense as well as the District's proportionate share of the State's on-behalf payments of \$3,914. The State's proportionate share to the plan is recognized as revenue and expense since it is an on-behalf amount.

At August 31, 2022 the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experiences	\$ 643	\$ 27,065
Changes in actuarial assumptions	135,894	59,238
Differences between projected and actual investment earnings	0	322,352
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>41,574</u>	<u>54,408</u>
Total	178,111	467,063
Contributions paid to TRS subsequent to the measurement date, net of surcharge reimbursements of \$0	<u>85,785</u>	<u>0</u>
Total as of fiscal year end	<u>\$ 263,896</u>	<u>\$ 467,063</u>

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2022

G. Defined Benefit Pension Plan - Continued

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

Year Ended August 31,	Pension Expense Amount
2023	\$ (45,909)
2024	\$ (49,210)
2025	\$ (80,073)
2026	\$ (106,320)
2027	\$ (6,081)
Thereafter	\$ (1,359)

The net pension liability of \$823,030 is shown as a non-current liability on the statement of position and the following table shows the increases and decreases for the year.

	Beginning Balance	Additions	Retirements	Ending Balance
Net pension liability	\$ 823,030	\$ (374,163)	\$ 64,422	\$ 384,445

H. Unavailable Revenue

Unavailable revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Property Taxes	\$ 35,259	\$ 11,393	\$ 46,652

I. Defined Other Post-Employment Benefit Plan

Plan Description

Water Valley Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052.

OPEB Plan Fiduciary Net Position

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2021 as presented in the TRS 2021 ACFR (p.76) are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 41,113,711,083
Less: Plan fiduciary net position	<u>(2,539,242,470)</u>
Net OPEB Liability	<u>\$ 38,574,468,613</u>
Net position as a percentage of total Liability	6.18%

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2022

I. Defined Other Post-Employment Benefit Plans – Continued

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$271,311,000 as of August 31, 2021. The premium rates for retirees are presented in the following table:

TRS-Care Monthly Premium rates

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

Contributions

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

At the inception of the plan, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, appropriations and contributions have been established to fund the benefits for each successive biennium.

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee’s pay for fiscal year 2020. The following table shows contributions to the TRS-Care plan by type of contributor.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2022

I. Defined Other Post-Employment Benefit Plans- Continued

Contribution Rates

	<u>2021</u>	<u>2022</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Current fiscal year District contributions		\$ 27,075
Current fiscal year Member contributions		\$ 18,047
Measurement year NECE On-Behalf contributions		\$ 27,816

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

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network provides. Funding will be in fiscal year 2021.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total OPEB liability to August 31, 2021.

In addition to the demographic assumptions: salary increases and inflation rates used for members of TRS are identical to the assumptions employed in the August 31, 2021 annual pension actuarial valuation.

The rates of mortality, retirement, termination, and disability incidence are identical to the assumptions used to value the pension liability of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 Rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021.
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Projected Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Ben Changes	None

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2022

I. Defined Other Post-Employment Benefit Plans – Continued

The initial medical trend rates were 8.50% for Medicare retirees and 7.10% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

Discount Rate A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of .38% in the discount rate since the previous year. The Discount Rate can be found in the 2021 TRS CAFR on page 77. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.95%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District’s proportionate share of net OPEB Liability	\$ 1,236,580	\$ 1,025,160	\$ 858,767

Healthcare cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare cost Trend Rate	1% Increase
District’s proportionate share of net OPEB liability	\$ 830,346	\$ 1,025,160	\$ 1,286,553

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

At August 31, 2021, the District reported a liability of \$1,025,160 for its proportionate share of the TRS’s net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the collective net OPEB liability	\$ 1,025,160
State’s proportionate share that is associated with the District	<u>1,343,487</u>
Total	<u>\$ 2,398,647</u>

The net OPEB liability was measured as of August 31, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on the District’s contributions to the OPEB plan relative to the contribution of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

I. Defined Other Post-Employment Benefit Plans - Continued

At August 31, 2021 the District's proportion of the collective net OPEB liability was 0.0026576139% which was a decrease of .00002418564% from the August 31, 2020 proportion share.

Changes in Actuarial Assumptions since the Prior Actuarial Valuation

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

The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the Total OPEB liability (TOL).

Changes in Benefit Terms

There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2022, the District recognized OPEB expense of \$ (74,661). This expense represents the District's proportionate share of GASB 75 expense as well as the District's proportionate share of the State's on-behalf payment of \$(50,692). The State's proportionate share to the plan is recognized as revenue and expense since it is an on-behalf amount.

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflow Of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 44,138	\$ 496,249
Changes in actuarial assumptions	113,549	216,802
Differences between projected and actual investment		
Earnings	1,113	0
Changes in proportion and difference between the		
District's contributions and the proportionate		
share of contributions	<u>378,096</u>	<u>388,145</u>
Total	\$ 536,896	\$ 1,101,096
Contributions paid to TRS subsequent to the measurement date	<u>27,075</u>	<u>0</u>
Total	<u>\$ 563,971</u>	<u>\$ 1,101,096</u>

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

<u>Year ended August 31,</u>	<u>Amount</u>
2023	\$ (97,752)
2024	(97,777)
2025	(97,771)
2026	(70,786)
2027	(34,252)
Thereafter	(165,962)
	45

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

I. Defined Other Post-Employment Benefit Plans - Continued

The net OPEB liability of \$1,025,160 is shown as a non-current liability on the Statement of Position and the following table shows the increases and decreases for the year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Net OPEB Liability	\$ 1,102,220	\$ (56,298)	\$ 20,762	\$ 1,025,160

**J. Health Insurance
Active Employees**

During the year ended August 31, 2022, employees of the District had the option of choosing a health insurance plan through TRS Active Care (administered by the Teacher Retirement System) or Texas Schools Health Benefits Program (administered by 90 Degree Benefits). Both plans allow coverage for additional family members. The District contributed up to \$350 of the monthly premium. Under both of these plans, the District is not liable for costs incurred beyond the premiums paid.

Medicare Part D. 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 TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments recognized as equal revenues and expenditures by the District for the years ended August 31, 2022, 2021 and 2020 were \$11,529, \$11,551 and \$10,295, respectively.

K. Due from (To) Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments as of August 31, 2022, are summarized below. All federal grants shown below are passed through the TEA.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ 789,286	\$ 0	\$ 6,882	\$ 796,168
Debt Service	0	0	2,372	2,372
Special Revenue	19,960	89,746	0	109,706
Totals	<u>\$ 809,246</u>	<u>\$89,746</u>	<u>\$ 9,254</u>	<u>\$ 908,246</u>

L. Revenue from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 1,623,222	\$ 565,192	\$ 0	\$2,188,414
Cafeteria Sales	0	0	134,594	134,594
Investment Income	23,422	4,232	26,695	54,349
Co-Curricular Activities	18,843	0	0	18,843
Rent	6,400	0	0	6,400
Gifts and Donations	3,000	0	0	3,000
313 Agreement Pay	485,200	1,810,437	0	2,295,637
Other	197,831	5,657	0	203,488
Total	<u>\$ 2,357,918</u>	<u>\$2,385,518</u>	<u>\$ 161,289</u>	<u>\$4,904,725</u>

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2022

M. Significant Special Revenue Items

Included within these financial statements on the Statement of Activities are payments from Section 313 agreements of \$2,295,637. These payments are a result of the loss taxes for Maintenance and Operation as a result of the tax abatement on certain properties that are explained further in note Q.

N. Workers' Compensation Insurance

The District participates in a risk pool for workers' compensation. The District pays a contribution for the fund year to cover the servicing costs of program administration, claims handling, loss control, and stop loss coverage as well as all claims expenses. In exchange, all claims are paid until closed and there are no additional fees for services provided. The policy is a retrospectively rated policy and premiums are accrued based on the ultimate cost of the experience to date of the member entities. The District is not aware of any material losses from reported or unreported claims. The District's contribution in the current year was \$10,152 and was recorded as insurance expense. Changes in the liability during the past year were as follows:

Unpaid claims as of September 1, 2021	\$ 18,900
Incurred claims	5,259
Payments	<u>(2,623)</u>
Unpaid claims as of August 31, 2022	<u>\$ 21,536</u>

O. Shared Service Arrangement

The District participates in a shared service arrangement (SSA) for special education with the following school districts:

Christoval ISD	Paint Rock ISD	Sterling City ISD
Eden ISD	Panther Creek ISD	Veribest ISD
Olfen ISD	Robert Lee ISD	Wall ISD (Fiscal Agent)

The District expended \$339,828 to the SSA in the current year. However, the District does not account for its share of actual expenditures in this program 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 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 District also participates in a shared arrangement with Fairview Accelerated Education for helping students with accelerated learning for possible drop out children and some disciplinary problems. The District is required to buy a block of time at the first of the year and is billed if this time is not adequate based on the students sent to this entity. The total expended in the current year is \$ 21,297.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2022

O. Shared Service Arrangement- Continued

The District also participates in various shared service arrangements with the Education Service Center Region XV. The District does not account for revenues or expenditures in these programs and does not report them in their financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center Region XV, nor does the District have a net equity interest in the exigencies that would give rise to a future additional benefit or burden. The fiscal agent manager is responsible for all financial activities of the shared service arrangements. According to information obtained from the region center, the District participates with a number of other school districts in the following programs.

Title III LEP	\$ 962
Carl D Perkins	4,249

P. Related Organizations

On November 15, 2021 the Water Valley Independent School District created a fund with future contributions from the Water Valley Independent School District as well as other donors, to the Foundation. These contributions and additions thereto, shall be known as the Water Valley Education Fund and Scholarship Fund. The Water Valley Independent School District contracted with the San Angelo Area Foundation, a Texas nonprofit corporation, to manage the Foundation’s education grant fund for the benefit of graduates from Water Valley High School and the Foundation’s agency fund. The San Angelo Area Foundation is responsible for the accounting, investing, and disbursement of Foundation funds. This fund is a “related organization” of the District as defined by current governmental accounting principles.

Q. Tax Abatement

The Water Valley Independent School District board of trustees approved agreements with Aviator Wind LLC and RE Rambler LLC for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to Chapter 313 of the Texas Tax Code. Both Aviator Wind LLC and RE Rambler LLC qualified for a tax limitation agreement under Texas Tax code section 313.024(b)(5), as a renewable energy electric generation project.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The Projects under the Chapter 313 agreements must be consistent with the state’s goal to “encourage large scale capital investments in this state.” Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and Texas Priority Projects.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application’s approval, the agreements were found to have done so by both the District’s Board of Trustees and the Texas Comptroller’s Office that the projects would meet these standards. The applications, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller’s website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The agreements and all supporting documentation were assigned Texas Comptroller Application Numbers.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED AUGUST 31, 2022

Q. Tax Abatement - Continued

After approval, the applicant companies must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event any of the companies listed below terminate their agreements without the consent of the District, or in the event that the companies or its successor-in-interest fails to comply in any material respect with the terms of these agreements or to meet any material obligation under these agreements, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of these agreements together with the payment of penalty and interest, on the recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code section 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax code section 33.01(c), or its successor statute. These agreements provide an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

As of the date of our audit, the companies are in full compliance with all of its obligations under law and the agreements themselves.

Below is the information required by GASB 77 for each company for M&O purposes. It includes the net benefit to the district but does not include any I&S impact.

State Comptroller Application No.	Project Value	Project Value Limitation	M&O Taxes Paid	M&O Taxes Reduced	Revenue Loss Payment	Net Supplemental Payment to School	Benefit (Loss) to School
1290	\$ 349,701,730	\$20,000,000	\$192,600	\$3,175,028	\$3,560,429	\$ 50,000	\$3,803,029
290	187,520,000	20,000,000	192,600	1,613,218	1,621,810	50,000	1,864,410

R. Prior Period Adjustment

The prior period adjustment of \$34,999 on the Statement of Activities as well as the Statement of Changes in Fiduciary Net Position is due to certain funds previously included in the custodial accounts were reclassified to special revenue funds in accordance with GASB 84.

R. Negative Operating Grants and Contributions – Statement of Activities

In accordance with GASB 68 and 75, on-behalf expense activity is required to be recorded at the government-wide level by participants in cost-sharing pension (TRS) and OPEB (TRS-Care) benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. For the year under audit, the TRS-Care NECE expense was a negative amount of \$50,692 due to the current year expensing of previously recognized deferred inflows. As a result, several of the Operating Grants and Contributions amounts on the Statement of Activities were also negative. According to guidance provided directly from GASB, this is the correct reporting.

T. Subsequent Events

Management has evaluated subsequent events through January 9, 2023, the date which the financial statements were available for.

REQUIRED SUPPLEMENTARY INFORMATION

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Pension Liability (Asset)	0.001509613%	0.001536708%	0.001609087%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 384,445	\$ 823,030	\$ 836,454
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	978,936	2,039,729	1,972,305
Total	<u>\$ 1,363,381</u>	<u>\$ 2,862,759</u>	<u>\$ 2,808,759</u>
District's Covered Payroll	\$ 2,550,075	\$ 2,548,402	\$ 2,373,494
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	15.08%	33.48%	35.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.001725122%	0.001440922%	0.001474009%	0.0015314%	0.0006729%
\$ 949,549	\$ 460,729	\$ 557,006	\$ 541,330	179,741
2,122,688	1,254,955	1,524,713	1,396,323	1,280,784
<u>\$ 3,072,237</u>	<u>\$ 1,715,684</u>	<u>\$ 2,081,719</u>	<u>\$ 1,937,653</u>	<u>\$ 1,460,525</u>
\$ 2,248,319	\$ 2,130,024	\$ 2,116,758	\$ 1,980,095	2,017,146
42.23%	21.63%	26.31%	27.34%	8.91%
73.74%	82.17%	78.00%	78.43%	83.25%

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	\$ 85,785	\$ 63,355	\$ 61,570
Contribution in Relation to the Contractually Required Contribution	85,785	63,355	61,570
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,831,917	\$ 2,550,075	\$ 2,458,402
Contributions as a Percentage of Covered Payroll	3.03%	2.48%	2.50%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	2019	2018	2017	2016	2015
\$	56,320	\$ 57,886	\$ 47,225	\$ 46,833	\$ 45,346
	56,320	57,886	47,225	46,833	45,346
\$	-	\$ -	\$ -	\$ -	\$ -
\$	2,373,494	\$ 2,248,319	\$ 2,130,024	\$ 2,116,758	\$ 1,980,095
	2.37%	2.57%	2.22%	2.21%	2.29%

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.002657614%	0.00289947%	0.002684709%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,025,160	\$ 1,102,220	\$ 1,269,633
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,373,487	1,481,119	1,687,056
Total	<u>\$ 2,398,647</u>	<u>\$ 2,583,339</u>	<u>\$ 2,956,689</u>
District's Covered Payroll	\$ 2,550,075	\$ 2,458,402	\$ 2,373,494
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	40.20%	44.83%	53.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
0.003299669%	0.002505861%
\$ 1,647,555	\$ 1,089,705
1,959,361	1,707,157
<u>\$ 3,606,916</u>	<u>\$ 2,796,862</u>
\$ 2,248,319	\$ 2,130,024
73.28%	51.16%
1.57%	0.91%

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	\$ 27,075	\$ 20,761	\$ 22,038
Contribution in Relation to the Contractually Required Contribution	27,075	20,761	22,038
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,831,917	\$ 2,550,075	\$ 2,458,402
Contributions as a Percentage of Covered Payroll	0.96%	0.81%	0.90%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

<hr/>	
2019	2018
<hr/>	
\$ 19,054	\$ 22,770
19,054	22,770
<hr/>	
\$ -	\$ -
<hr/> <hr/>	
\$ 2,373,494	\$ 2,248,319
0.80%	1.01%

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2022

Notes to Schedules for the TRS Pension

Changes in benefit terms

There were no changes in benefit terms since the prior measurement date.

Changes in assumptions

There were no changes in assumptions since the prior measurement date.

Notes to Schedules for the TRS OPEB Plan

Changes in benefit terms

There were no changes in benefit terms since the prior measurement date.

Changes in assumptions

The single discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

REQUIRED TEA SCHEDULES

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2022

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2013 and prior years	Various	Various	\$ Various
2014	1.170000	0.190000	116,224,412
2015	1.170000	0.190000	125,458,684
2016	1.170000	0.190000	120,092,684
2017	1.170000	0.190000	118,879,338
2018	1.170000	0.190000	133,628,118
2019	1.170000	0.150000	156,314,646
2020	1.068350	0.251600	161,852,862
2021	0.963000	0.337000	201,502,692
2022 (School year under audit)	0.963000	0.337000	166,417,647
1000 TOTALS			

(10) Beginning Balance 9/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2022
\$ 18,733	\$ -	\$ 24	\$ 4	\$ (32)	\$ 18,673
376	-	-	-	-	376
904	-	-	-	-	904
1,320	-	257	42	-	1,021
1,908	-	739	95	-	1,074
2,500	-	814	104	-	1,582
5,200	-	2,247	529	-	2,424
11,251	-	4,149	1,431	(463)	5,208
32,349	-	13,796	4,828	(2,798)	10,927
-	2,163,430	1,581,668	553,502	-	28,260
<u>\$ 74,541</u>	<u>\$ 2,163,430</u>	<u>\$ 1,603,694</u>	<u>\$ 560,535</u>	<u>\$ (3,293)</u>	<u>\$ 70,449</u>

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 61,000	\$ 18,000	\$ 24,640	\$ 6,640
5800 State Program Revenues	1,000	3,700	3,738	38
5900 Federal Program Revenues	103,562	185,562	244,676	59,114
5020 Total Revenues	165,562	207,262	273,054	65,792
EXPENDITURES:				
Current:				
0035 Food Services	185,271	236,775	228,473	8,302
6030 Total Expenditures	185,271	236,775	228,473	8,302
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,709)	(29,513)	44,581	74,094
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	22,510	22,510	-	(22,510)
1200 Net Change in Fund Balances	2,801	(7,003)	44,581	51,584
0100 Fund Balance - September 1 (Beginning)	5,626	5,626	5,626	-
3000 Fund Balance - August 31 (Ending)	\$ 8,427	\$ (1,377)	\$ 50,207	\$ 51,584

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,385,019	\$ 2,385,019	\$ 2,385,518	\$ 499
5800 State Program Revenues	6,750	6,750	1,718	(5,032)
5020 Total Revenues	2,391,769	2,391,769	2,387,236	(4,533)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	1,635,000	1,635,000	1,635,000	-
0072 Interest on Long-Term Liabilities	708,615	708,615	708,615	-
6030 Total Expenditures	2,343,615	2,343,615	2,343,615	-
1200 Net Change in Fund Balances	48,154	48,154	43,621	(4,533)
0100 Fund Balance - September 1 (Beginning)	597,600	597,600	597,600	-
3000 Fund Balance - August 31 (Ending)	\$ 645,754	\$ 645,754	\$ 641,221	\$ (4,533)

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS
 FOR THE YEAR ENDED AUGUST 31, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	231616
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	153675

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	5163
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	2846

COMPLIANCE AND INTERNAL CONTROL SECTION

Reed, McKee & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3140 EXECUTIVE DRIVE
SAN ANGELO, TEXAS 76904
(325) 942-8984

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

Independent Auditor's Report

Board of Trustees
Water Valley Independent School District
P.O. Box 250
Water Valley, Texas 76958

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 Water Valley Independent School District as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the Water Valley Independent School District's basic financial statements, and have issued our report thereon dated January 9, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Water Valley 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 Water Valley Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Water Valley 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 district's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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 Water Valley Independent School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Water Valley Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reed, McKee + Co., P.C.

Reed, McKee & Co., P.C.
January 9, 2023

WATER VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2022

I. Summary of the Auditor's Results:

- A. The auditor's report expresses an unmodified opinion on the basic financial statements of the Water Valley Independent School District.
- B. No significant deficiencies or material weaknesses relating to the audit of the basic financial statements are reported in the 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*.
- C. No instances of noncompliance material to the basic financial statements of the Water Valley Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

SCHOOLS FIRST QUESTIONNAIRE

Water Valley Independent School District

Fiscal Year 2022

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	0