

**WATER VALLEY  
INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2020**

*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, 2020

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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, 2020 at a meeting of the Board of Trustees of such school district on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

## 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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Water Valley Independent School District as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Water Valley Independent School District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Water Valley Independent School District as of August 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements as well as the required supplementary information listed on the table of contents on pages 46 through 52. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Water Valley Independent School District's basic financial statements. The required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The required TEA schedules are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 18, 2020 on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Water Valley Independent School District's internal control over financial reporting and compliance.

**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, 2020. Please read it in conjunction with the Independent Auditor's report on pages 2 and 3, and the District's basic financial statements.

**FINANCIAL HIGHLIGHTS**

The District's net position as presented on Exhibit A-1, increased from \$3,339,534 to \$3,727,893. Net position consists of unrestricted amounts of \$1,568,644 which may be used to meet the District's ongoing obligations. The District also has restricted funds for debt service of \$321,826, and for the capital projects and cafeteria fund of \$34,675. Net assets invested in capital assets net of related debt totaled \$1,802,748. Total assets have increased \$10,624,087 as a result of issuing new Series 2020 bonds of \$8,555,000 and the current year excess revenues over expenses. As a result of the issuance of bonds, the long-term liabilities also increased by the same amount plus premiums. 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. The expenditures being made for the construction projects and other amounts for the bond proceeds were included in construction in progress leaving only the interest income earned for the current year on these funds as the restricted amount for this project. 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 amount decreased from \$949,549 to \$836,454 mainly due to the rate of return on the investments set aside for this liability were greater than the projected amounts. The liability for the other post-employment benefits decreased from \$1,647,555 to \$1,269,633 and the decrease is mainly due to actuarial assumption changes more fully described in the following footnotes.

As shown in Exhibit B-1, the District had expenses of \$5,436,731 which were \$298,013 more than comparable expenses in the prior year. The largest increase as shown on page 8 in the table II following was in the instruction function. As shown on Exhibit B-1 the total expenses were reduced for charges for services such as athletic revenues, concessions, and cafeteria sales. After taking these items into effect the District was left with net expenses of \$4,595,212 which were funded by general revenues of \$4,899,425. Total revenues from all sources were \$5,740,944 compared to \$5,366,005 from the prior year. Property tax revenues were up due to an increase in assessed values and the funding from the state was fairly constant with the average daily attendance from year to year not changing a lot. There was a prior period adjustment of \$84,146 which related to a prior year audit of the tax rolls for the District by some outside attorneys which resulted in this additional funding from the state.

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 \$400,342 due to operations and again the additional funds from the prior year as mentioned above. The committed fund balance of \$190,000 remained the same as the prior year. The unassigned fund balance is \$3,560,401 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 ten months of operations. Overall revenues increased \$160,018 over the prior year. Local revenues for the current year represent 43% of total revenues and state and federal revenues equal 57% of total revenues. As was mentioned earlier, property tax revenues increased due to the increase in assessed values of approximately \$5,000,000. Expenditures of the general fund decreased \$82,626 which in a big reason for the increase of \$400,342 in the general fund. Total salaries and benefits in the general fund totaled \$2,995,587 compared to \$2,847,925 in the prior year. The percentage of salaries and benefits to the total expenses excluding the capital outlay for the improvements remained at approximately 70% of expenses. State Revenues decreased as a result of less student population. The refined daily average student population which is used for purposes of determining state funding decreased from 309 to 299. This resulted in a lower funding level from the state for the school district.

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

Exhibit C-5 demonstrates that the District's originally planned for a \$63,499 increase to the fund balance. This was subsequently amended to show an increase of \$491,284 in fund balance. As can be seen from comparison of actual amounts to the amended budget, actual revenues were \$139,179 less than anticipated while expenses were \$48,237 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.

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.

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

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 \$3,339,534 to \$3,727,893. 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 \$1,568,644 at August 31, 2020. As shown below there is an overall increase in net position of \$388,359 which is explained in the financial highlights.

**Table I - NET POSITION**

	Governmental Activities 2020	Governmental Activities 2019	Increase (Decrease)
Current and other assets	\$ 14,189,038	\$ 3,663,366	\$ 10,525,672
Capital assets	4,799,056	4,700,641	98,415
Total assets	<u>18,988,094</u>	<u>8,364,007</u>	<u>10,624,087</u>
Deferred outflows of resources	<u>1,009,075</u>	<u>1,164,911</u>	<u>(155,836)</u>
Long-term liabilities	14,543,839	5,440,591	9,103,248
Other liabilities	655,961	167,461	488,500
Total liabilities	<u>15,199,800</u>	<u>5,608,052</u>	<u>9,591,748</u>
Deferred inflows of resources	<u>1,069,476</u>	<u>581,332</u>	<u>488,144</u>
Net position:			
Net investment in capital assets	1,802,748	1,864,751	(62,003)
Restricted for debt service	321,826	141,365	180,461
Restricted for Other Purposes	34,675	34,432	243
Unrestricted	1,568,644	1,298,986	269,658
Total net position	<u>\$ 3,727,893</u>	<u>\$ 3,339,534</u>	<u>\$ 388,359</u>

Included within the net position for the current year is an amount restricted for other purposes of \$34,675. 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.

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

**Table II - CHANGES IN NET POSITION**

	Governmental Activities 2020	Governmental Activities 2019	Increase (Decrease)
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 79,551	\$ 240,039	(160,488)
Operating grants and contributions	761,968	542,823	219,145
General revenues:			
Property taxes, levied for general purposes	1,888,349	1,799,557	88,792
Property taxes, levied for debt service	431,722	230,491	201,231
State aid - formula grants	2,458,221	2,432,674	25,547
Investment earnings	45,098	74,492	(29,394)
Miscellaneous	76,035	45,929	30,106
Total revenue	5,740,944	5,366,005	374,939
<b>Expenses:</b>			
Instruction	2,610,617	2,296,676	313,941
Instructional resources and media services	7,708	8,620	(912)
Curriculum and staff development	19,381	23,931	(4,550)
School leadership	287,071	277,486	9,585
Guidance, counseling and evaluation service	79,303	75,011	4,292
Health services	2,669	1,244	1,425
Student (pupil) transportation	190,256	234,584	(44,328)
Food services	234,930	200,947	33,983
Extracurricular activities	252,214	292,571	(40,357)
General administration	388,289	506,975	(118,686)
Facilities maintenance and operations	628,382	682,838	(54,456)
Security and monitoring services	5,288	12,194	(6,906)
Data processing services	92,059	88,635	3,424
Debt service – interest on long term debt	103,380	87,563	15,817
Debt service – bond issuance costs and fees	191,261	0	191,261
Capital Outlay	48,068	0	48,068
Payments related to shared service arrang	295,855	349,443	(53,588)
Total expenses	5,436,731	5,138,718	298,013
Change in net position	304,213	227,287	76,926
Net position – beginning	3,339,534	3,112,247	227,287
Prior Period Adjustment	84,146	0	84,146
Net position – ending	\$ 3,727,893	\$ 3,339,534	\$ 388,359

**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 \$3,560,401 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 an increase of \$10,008,554 which is a significant increase due to the bond proceeds in the capital projects fund.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At the end of 2020, the District had \$11,828,093 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 \$7,029,037. The current year did include \$56,994 related to construction in progress for the expenditure of amounts in the capital project fund. The other amounts spent in the capital project fund included 3 buses. Additional details in regards to this can be seen in footnote IIID to these financial statements.

Debt

As shown in these financial statements, the District had total debt of \$12,670,941 including the related accrued interest payable. The District did issue new debt and it is shown as Series 2020 bonds. Details in regards to this debt can be seen in Footnote IIIE to these financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District has adopted a 2021 fiscal year budget for the General Fund in the amount of \$4,618,076. Tax rates for maintenance and operations are \$.96300 per \$100 value while the tax rate for the Interest and Sinking Funds was set at \$.33700 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, 2020

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 13,580,162
1220 Property Taxes - Delinquent	280,346
1230 Allowance for Uncollectible Taxes	(44,986)
1240 Due from Other Governments	373,516
Capital Assets:	
1510 Land	16,007
1520 Buildings, Net	4,276,499
1530 Furniture and Equipment, Net	449,556
1580 Construction in Progress	56,994
1000 Total Assets	18,988,094
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	472,919
1706 Deferred Outflow Related to TRS OPEB	536,156
1700 Total Deferred Outflows of Resources	1,009,075
<b>LIABILITIES</b>	
2110 Accounts Payable	15,875
2160 Accrued Wages Payable	161,284
2200 Accrued Expenses	3,499
2300 Unearned Revenue	242,114
Noncurrent Liabilities:	
2501 Due Within One Year	233,189
2502 Due in More Than One Year	12,437,752
2540 Net Pension Liability (District's Share)	836,454
2545 Net OPEB Liability (District's Share)	1,269,633
2000 Total Liabilities	15,199,800
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	179,877
2606 Deferred Inflow Related to TRS OPEB	889,599
2600 Total Deferred Inflows of Resources	1,069,476
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	1,802,748
3820 Restricted for Federal and State Programs	32,674
3850 Restricted for Debt Service	321,826
3860 Restricted for Capital Projects	2,001
3900 Unrestricted	1,568,644
3000 Total Net Position	\$ 3,727,893

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, 2020

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position  Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 2,610,617	\$ 11,750	\$ 465,453	\$ (2,133,414)
12 Instructional Resources and Media Services	7,708	-	-	(7,708)
13 Curriculum and Instructional Staff Development	19,381	-	8,550	(10,831)
23 School Leadership	287,071	-	27,742	(259,329)
31 Guidance, Counseling, and Evaluation Services	79,303	-	7,895	(71,408)
33 Health Services	2,669	-	2,178	(491)
34 Student (Pupil) Transportation	190,256	-	12,312	(177,944)
35 Food Services	234,930	44,661	170,515	(19,754)
36 Extracurricular Activities	252,214	19,840	10,020	(222,354)
41 General Administration	388,289	-	25,827	(362,462)
51 Facilities Maintenance and Operations	628,382	3,300	17,395	(607,687)
52 Security and Monitoring Services	5,288	-	-	(5,288)
53 Data Processing Services	92,059	-	8,522	(83,537)
72 Debt Service - Interest on Long-Term Debt	103,380	-	5,559	(97,821)
73 Debt Service - Bond Issuance Cost and Fees	191,261	-	-	(191,261)
81 Capital Outlay	48,068	-	-	(48,068)
93 Payments Related to Shared Services Arrangements	295,855	-	-	(295,855)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 5,436,731	\$ 79,551	\$ 761,968	(4,595,212)
Data Control Codes	<b>General Revenues:</b>			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			1,888,349
DT	Property Taxes, Levied for Debt Service			431,722
SF	State Aid - Formula Grants			2,458,221
IE	Investment Earnings			45,098
MI	Miscellaneous Local and Intermediate Revenue			76,035
TR	Total General Revenues			4,899,425
CN	Change in Net Position			304,213
NB	Net Position - Beginning			3,339,534
PA	Prior Period Adjustment			84,146
NE	Net Position - Ending			\$ 3,727,893

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

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 3,840,773	\$ 427,163	\$ 9,319,743
1220 Property Taxes - Delinquent	238,746	41,600	-
1230 Allowance for Uncollectible Taxes	(37,749)	(7,237)	-
1240 Due from Other Governments	321,070	925	-
1000 Total Assets	<u>\$ 4,362,840</u>	<u>\$ 462,451</u>	<u>\$ 9,319,743</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 13,381	\$ -	\$ -
2160 Accrued Wages Payable	152,883	-	-
2200 Accrued Expenditures	3,164	-	-
2300 Unearned Revenue	242,014	-	-
2000 Total Liabilities	<u>411,442</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	200,997	34,363	-
2600 Total Deferred Inflows of Resources	<u>200,997</u>	<u>34,363</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	9,319,743
3480 Retirement of Long-Term Debt	-	428,088	-
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	3,560,401	-	-
3000 Total Fund Balances	<u>3,750,401</u>	<u>428,088</u>	<u>9,319,743</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,362,840</u>	<u>\$ 462,451</u>	<u>\$ 9,319,743</u>

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

Other Funds	Total Governmental Funds
\$ (7,517)	\$ 13,580,162
-	280,346
-	(44,986)
51,521	373,516
<u>\$ 44,004</u>	<u>\$ 14,189,038</u>
\$ 2,494	\$ 15,875
8,401	161,284
335	3,499
100	242,114
<u>11,330</u>	<u>422,772</u>
-	235,360
-	235,360
32,674	32,674
-	9,319,743
-	428,088
-	40,000
-	50,000
-	100,000
-	3,560,401
<u>32,674</u>	<u>13,530,906</u>
<u>\$ 44,004</u>	<u>\$ 14,189,038</u>

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2020

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	13,530,906
1 Net capital assets used in governmental activities are reported in the Statement of Net Position.		4,799,056
2 The district's contributions made to TRS and TRS-Care subsequent to the 8/31/19 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.		1,009,075
3 Bonds and notes payable (including premiums and accrued interest) are reported in the Statement of Net Position.		(12,670,941)
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.		(2,106,087)
5 The district's proportionate share of the TRS and TRS-Care collective deferred inflows are reported in the Statement of Net Position.		(1,069,476)
6 Net delinquent property taxes receivable are not deferred in the Statement of Net Position.		235,360
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>3,727,893</b>

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, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 1,889,442	\$ 406,990	\$ 2,001
5800 State Program Revenues	2,672,661	5,559	-
5900 Federal Program Revenues	-	-	-
5020 Total Revenues	<u>4,562,103</u>	<u>412,549</u>	<u>2,001</u>
EXPENDITURES:			
Current:			
0011 Instruction	2,208,513	-	-
0012 Instructional Resources and Media Services	7,708	-	-
0013 Curriculum and Instructional Staff Development	9,120	-	-
0023 School Leadership	262,786	-	-
0031 Guidance, Counseling, and Evaluation Services	72,268	-	-
0033 Health Services	2,669	-	-
0034 Student (Pupil) Transportation	141,218	-	-
0035 Food Services	9,080	-	-
0036 Extracurricular Activities	231,256	-	-
0041 General Administration	365,281	-	-
0051 Facilities Maintenance and Operations	391,898	-	-
0052 Security and Monitoring Services	5,288	-	-
0053 Data Processing Services	86,143	-	-
Debt Service:			
0071 Principal on Long-Term Debt	43,556	135,000	-
0072 Interest on Long-Term Debt	4,422	87,322	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	24,700	-	385,371
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	295,855	-	-
6030 Total Expenditures	<u>4,161,761</u>	<u>222,322</u>	<u>385,371</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>400,342</u>	<u>190,227</u>	<u>(383,370)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued	-	-	8,555,000
7916 Premium or Discount on Issuance of Bonds	-	100,000	1,339,374
8949 Other (Uses)	-	-	(191,261)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>100,000</u>	<u>9,703,113</u>
1200 Net Change in Fund Balances	400,342	290,227	9,319,743
0100 Fund Balance - September 1 (Beginning)	3,265,913	137,861	-
1300 Increase (Decrease) in Fund Balance	84,146	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,750,401</u>	<u>\$ 428,088</u>	<u>\$ 9,319,743</u>

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

Other Funds	Total Governmental Funds
\$ 44,661	\$ 2,343,094
94,785	2,773,005
293,699	293,699
433,145	5,409,798
219,715	2,428,228
-	7,708
8,550	17,670
-	262,786
-	72,268
-	2,669
-	141,218
206,638	215,718
-	231,256
-	365,281
-	391,898
-	5,288
-	86,143
-	178,556
-	91,744
-	410,071
-	295,855
434,903	5,204,357
(1,758)	205,441
-	8,555,000
-	1,439,374
-	(191,261)
-	9,803,113
(1,758)	10,008,554
34,432	3,438,206
-	84,146
\$ 32,674	\$ 13,530,906

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, 2020

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	10,008,554
Capital outlay expenditures are capitalized in the government-wide financial statements.		348,990
Depreciation of capital assets is recognized in the government-wide financial statements.		(250,575)
Proceeds from the issuance of bonds (including premiums) are reported as an increase in liabilities in the government-wide financial statements.		(9,994,374)
Repayments of principal on bonds and maintenance notes payable are reported as a decrease in liabilities in the government-wide financial statements.		178,556
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.		24,333
Accrued interest on bonds and maintenance notes payable is reported in the government-wide financial statements. The current year increase is recognized in the Statement of Activities.		(35,969)
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 \$306,448 greater 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 \$153,485 greater than the statutory amount contributed and reported as on-behalf revenue and expenditure in the fund financial statements.		(152,963)
Net delinquent property taxes receivable are not deferred in the government-wide financial statements. The current year increase is recognized in the Statement of Activities.		177,661
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>304,213</u></b>

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, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,847,803	\$ 1,895,679	\$ 1,889,442	\$ (6,237)
5800 State Program Revenues	2,521,874	2,805,603	2,672,661	(132,942)
5020 Total Revenues	4,369,677	4,701,282	4,562,103	(139,179)
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	2,150,000	2,226,215	2,208,513	17,702
0012 Instructional Resources and Media Services	10,000	10,000	7,708	2,292
0013 Curriculum and Instructional Staff Development	10,000	10,000	9,120	880
0023 School Leadership	255,000	262,186	262,786	(600)
0031 Guidance, Counseling, and Evaluation Services	80,000	75,000	72,268	2,732
0033 Health Services	500	2,619	2,669	(50)
0034 Student (Pupil) Transportation	200,000	145,000	141,218	3,782
0035 Food Services	7,700	9,000	9,080	(80)
0036 Extracurricular Activities	240,000	245,000	231,256	13,744
0041 General Administration	320,000	360,000	365,281	(5,281)
0051 Facilities Maintenance and Operations	420,000	395,000	391,898	3,102
0052 Security and Monitoring Services	13,000	6,000	5,288	712
0053 Data Processing Services	85,000	90,000	86,143	3,857
Debt Service:				
0071 Principal on Long-Term Debt	43,550	43,550	43,556	(6)
0072 Interest on Long-Term Debt	4,428	4,428	4,422	6
Capital Outlay:				
0081 Facilities Acquisition and Construction	31,000	25,000	24,700	300
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	427,000	301,000	295,855	5,145
6030 Total Expenditures	4,297,178	4,209,998	4,161,761	48,237
1100 Excess of Revenues Over Expenditures	72,499	491,284	400,342	(90,942)
<b>OTHER FINANCING SOURCES (USES):</b>				
8911 Transfers Out (Use)	(9,000)	-	-	-
1200 Net Change in Fund Balances	63,499	491,284	400,342	(90,942)
0100 Fund Balance - September 1 (Beginning)	3,265,913	3,265,913	3,265,913	-
1300 Increase (Decrease) in Fund Balance	-	-	84,146	84,146
3000 Fund Balance - August 31 (Ending)	\$ 3,329,412	\$ 3,757,197	\$ 3,750,401	\$ (6,796)

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, 2020

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 96,098
Total Assets	<u>\$ 96,098</u>
LIABILITIES	
Due to Student Groups	\$ 96,098
Total Liabilities	<u>\$ 96,098</u>

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, 2020

**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 government-wide financial statements (the statement of net position and the statement of activities) 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, 2020

**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, 2020

**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. Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities,

**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.

Fiduciary Funds:

**Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. These funds represent student activity funds.

**E. Other Accounting Policies**

1. The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**E. Other Accounting Policies**

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. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Bond premiums and discounts are deferred and amortized over the life of the bonds on the straight line basis. Bonds payable are reported net of the applicable bond premium or discount.
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 resources 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.
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. Capital assets, which include 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.

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:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20-30
Vehicles	5
Equipment	5-10

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*.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED AUGUST 31, 2020

**E. Other Accounting Policies - Continued**

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.

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 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.
10. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) 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.
11. The preparation of financial statements in conformity with GAAP requires the use of management estimates.
12. 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.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED AUGUST 31, 2020

**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.

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. The District does utilize encumbrance accounting. There were no outstanding encumbrances that were re- appropriated for the next fiscal year.

**B. Excess of Expenditures over Appropriations**

The expenditures exceeded the budget in the following functions in the General Fund:

School Leadership	\$ 600
Health Services	50
Food Services	80
General Administration	5,281

**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.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**Cash and Cash Equivalents - Continued**

*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.

*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, 2020, 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	\$ 2,459,626	17.98%	\$2,459,626	0	N/A
Certificates of Deposit	638,807	4.67%	638,807	0	N/A
Investment Pools:					
Tex Pool	<u>10,577,827</u>	<u>77.35%</u>	<u>10,577,827</u>	<u>0</u>	<u>AAAm</u>
Total Cash and Cash Equivalents	<u>\$13,676,260</u>		<u>\$13,676,260</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 areas of investment 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, 2020

**A. Cash, Cash Equivalents and Investments- Continued**

**Investments - Continued**

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.

*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.

*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.

*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.

*Foreign Currency Risk for Investments* the District limits the risk that changes in exchange rates will adversely affect the fair value of an investment.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED AUGUST 31, 2020

**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. Capital Asset Activity**

Capital asset activity for the District for the year ended August 31, 2020 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
Land	\$ 0	\$ 16,007	\$ 0	\$ 16,007
Buildings and Improvements	\$ 10,229,665	19,491	0	10,249,156
Equipment	492,479	29,474	0	521,953
Vehicles	756,959	280,524	(53,500)	983,983
Construction in Progress	0	56,994	0	56,994
<b>Totals at Historic Cost</b>	<b>11,479,103</b>	<b>402,490</b>	<b>(53,500)</b>	<b>11,828,093</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(5,730,475)	(242,182)	0	(5,972,657)
Equipment	(371,936)	(21,104)	0	(393,040)
Vehicles	(676,051)	(40,789)	53,500	(663,340)
<b>Total Accumulated Depreciation</b>	<b>(6,778,462)</b>	<b>(304,075)</b>	<b>53,500</b>	<b>(7,029,037)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b><u>\$ 4,700,641</u></b>	<b><u>\$ 98,415</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 4,799,056</u></b>

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

Instruction	\$ 4,405
Student (Pupil) Transportation	40,789
Co-Curricular/Extracurricular Activities	655
Food Services	3,693
Plant Maintenance and Operations	<u>254,533</u>
<b>Total Depreciation Expense</b>	<b><u>\$ 304,075</u></b>

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED AUGUST 31, 2020

**E. Long-Term Obligations Payable**

Unlimited Tax Refunding Bonds, Series 2011

These bonds were issued to partially advance refund the Series 2004 issue for the purpose of building a new elementary school and other additions. The original amount issued was \$1,760,000 and is scheduled to mature February 15, 2034 with interest rates of 2.00% to 3.75%. The bonds are to be repaid from local property tax collections with principal payments due on February 15<sup>th</sup> of each year and interest on the bonds is due semiannually on February 15<sup>th</sup> and August 15<sup>th</sup> of each year.

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 2.00% to 4.00%. The bonds are to be repaid from local property tax collections with principal payments due on February 15<sup>th</sup> of each year and interest on the bonds is due semiannually on February 15<sup>th</sup> and August 15<sup>th</sup> 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.

Unlimited Tax School Building Bonds, Series 2020

These bonds were issued for the purpose of specific construction projects. The original amount issued was \$8,555,000 and is schedule to mature February 15, 2050 with a 4.0% interest rate. The bonds are to be repaid from local property tax collections with principal payments due on February 15<sup>th</sup> of each year and interest on the bonds is due semiannually on February 15<sup>th</sup> and August 15<sup>th</sup> 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 2011 Bonds					
Maturity Value	\$ 1,520,000	\$ 0	\$ 80,000	\$ 1,440,000	
Net Premium	<u>15,256</u>	<u>0</u>	<u>3,018</u>	<u>12,238</u>	
	<u>1,535,256</u>	<u>0</u>	<u>83,018</u>	<u>1,452,238</u>	\$ 85,000
Series 2014 Bonds					
Maturity Value	1,095,000	0	55,000	1,040,000	
Net Premium	<u>24,902</u>	<u>0</u>	<u>4,004</u>	<u>20,898</u>	
	<u>1,119,902</u>	<u>0</u>	<u>59,004</u>	<u>1,060,898</u>	60,000
Series 2020 Bonds					
Maturity Value	0	8,555,000	0	8,555,000	0
Net Premium	<u>0</u>	<u>1,439,374</u>	<u>17,311</u>	<u>1,422,063</u>	
	<u>0</u>	<u>9,994,374</u>	<u>17,311</u>	<u>9,977,063</u>	
Series 2015 Maint- enance Tax Note	<u>180,732</u>	<u>0</u>	<u>43,556</u>	<u>137,176</u>	<u>44,623</u>
Totals	<u>\$ 2,835,890</u>	<u>\$ 9,994,374</u>	<u>\$ 202,889</u>	<u>\$12,627,375</u>	<u>\$ 189,623</u>

Accrued interest payable	<u>43,566</u>
Total noncurrent liabilities	12,670,941
Due within one year (including accrued interest payable)	<u>(233,189)</u>
Due in more than one year	<u>\$12,437,752</u>

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED AUGUST 31, 2020

**E. 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 \$1,440,000 Series 2011 Bonds, \$1,040,000 Series 2014 Bonds, \$8,555,000 Series 2020 Bonds, and \$137,176 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>
2021	\$ 189,623	\$ 451,497	\$ 641,120
2022	875,716	409,540	1,285,256
2023	881,837	376,782	1,258,619
2024	820,000	344,410	1,164,410
2025	810,000	313,385	1,123,385
2026	795,000	282,560	1,077,560
2027	780,000	252,123	1,032,123
2028	765,000	221,898	986,898
2029	750,000	192,110	942,110
2030	725,000	163,147	888,147
2031	675,000	135,694	810,694
2032	205,000	118,642	323,642
2033	210,000	110,905	320,905
2034	225,000	102,795	327,795
2035	115,000	96,300	211,300
2036	115,000	91,700	206,700
2037	120,000	87,000	207,000
2038	125,000	82,100	207,100
2039	130,000	77,000	207,000
2040	140,000	71,600	211,600
2041	145,000	65,900	210,900
2042	150,000	60,000	210,000
2043	155,000	53,900	208,900
2044	160,000	47,600	207,600
2045	170,000	41,000	211,000
2046	175,000	34,100	209,100
2047	180,000	27,000	207,000
2048	190,000	19,600	209,600
2049	195,000	11,900	206,900
2050	<u>200,000</u>	<u>4,000</u>	<u>204,000</u>
Totals	<u>\$ 11,172,176</u>	<u>\$ 4,346,188</u>	<u>\$ 15,518,364</u>

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**F. Fund Balances / Net Position**

Fund balances consist of restricted balances which are set aside for retirement of debt of \$428,088, capital projects funds from the new bond issue of \$9,319,743, and restricted for federal or state fund grants of \$32,674. 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 \$3,560,401 is unassigned and available for operations of the next year.

Net position of the District totaled \$3,727,893 and consisted of the following amounts:

- Net investment in Capital Assets, net of debt of \$1,802,748 which decreased \$62,003.
- Unrestricted of \$1,568,644 which increased over the prior year \$269,658, and
- Restricted funds for the Debt Service, Capital Projects, and Food Service of \$1,892,471.

**G. 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). 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.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$209,961,325,288
Less: Plan Fiduciary Net Position	<u>(157,978,199,075)</u>
Net Pension Liability	<u>\$ 51,983,126,213</u>
Net Position as a percentage of Total Pension Liability	75.24%

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**G. 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 86<sup>th</sup> Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension actuarially sound. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13<sup>th</sup> check. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

*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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal year 2014 through 2017. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. SB12 in the 86<sup>th</sup> Legislature set higher contribution rates for fiscal year 2020 and fiscal year 2021. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%. This “surcharge” was previously only charged to employers not participating in social security. Contribution Rates can be found in the TRS 2019 CAFR, Note 11, on page 76.

	<b><u>Contribution Rates</u></b>	
	<b><u>2019</u></b>	<b><u>2020</u></b>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
Current fiscal year District contributions		\$ 61,570
Current fiscal year Member contributions		\$ 189,297
Measurement year NECE On-Behalf contributions		\$ 132,793

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).

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**G. Defined Benefit Pension Plan – Continued**

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.
- Employers must contribute 1.5% of the member’s salary

*Actuarial Assumptions*

Roll Forward - A change was made in the measurement date of the total pension liability for the 2019 measurement year. The actuarial valuation was performed as of August 31, 2018. Updated procedures were used to roll forward the total pension liability to August 31, 2019.

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, 2018 and were adopted in July 2018.

The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The following table discloses the assumptions that were applied to this measurement period.

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method Value	Market Value
Single Discount Rate	7.25%
Long-term expected Rate	7.25%
Municipal Bond Rate as of 8-31-2019	2.63% - 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)	2116
Inflation	2.30%
Salary Increases including Inflation	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED AUGUST 31, 2020

**G. Defined Benefit Pension Plan – Continued**

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, 2018. For a full description of these assumptions please see the TRS actuarial valuation report dated November 9, 2018.

*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% and a municipal bond rate of 3.69%. 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. 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.

Asset Class	FY 2019 Allocation*	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return***
Global Equity			
U.S.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00	13.00	6.30
Emerging Markets	9.00	9.00	7.30
Directional Hedge Funds	4.00	-----	-----
Private Equity	13.00	14.00	8.40
Stable Value			
U.S. Treasuries****	11.00	16.00	3.10
Absolute Return	----	-----	-----
Hedge Funds (Stable Value)	4.00	5.00	4.50
Real Return			
Global Inflation Linked Bonds****	3.00	-----	-----
Real Estate	14.00	15.00	8.50
Energy and Natural Resources	5.00	6.00	7.30
Commodities	----	-----	-----
Risk Parity			
Risk Parity	5.00	8.00	5.8%/6.5% *****
Asset Allocation Leverage Cash	1.00	2.00	2.50
Asset Allocation Leverage	-----	(6.00)	<u>2.70</u>
Expected Return			7.23%

\* FY 2019 Target Allocations are based on the Strategic Asset Allocation Dated 10/1/2018

\*\* New target allocation based on the Strategic Asset Allocation dated 10/1/2019

\*\*\*10 year annualized geometric nominal return include the real rate of return and inflation of 2.1%

\*\*\*\*New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

\*\*\*\*\*5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**G. Defined Benefit Pension Plan – Continued**

*Discount Rate Sensitivity Analysis.* The following schedule shows the impact of the Net Pension Liability if the discounted rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2019 Net Pension Liability.

	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	\$ 1,285,751	\$ 836,454	\$ 472,436

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At August 31, 2020, the District reported a liability of \$836,454 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	\$ 836,454
State’s proportionate share that is associated with the District	<u>1,972,305</u>
Total	<u>\$ 2,808,759</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018 rolled forward to August 31, 2019. 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, 2018 through August 31, 2019.

At August 31, 2019 the employer’s proportion of the collective net pension liability was 0.0016090874% which was a decrease of 0.0001160347% from its proportion measured as of August 31, 2018.

*Changes Since the Prior Actuarial Valuation –* Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year’s report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions;

The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.

The single discount rate as of August 31, 2018 was a blended rate of 6.3907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019

With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED AUGUST 31, 2020

**G. Defined Benefit Pension Plan - Continued**

For the year ended August 31, 2020, the District recognized pension expense of \$500,232. 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 \$309,821. The State's proportionate share to the plan is recognized as revenue and expense since it is an on-behalf amount.

At August 31, 2020 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	\$ 3,514	\$ 29,043
Changes in actuarial assumptions	259,509	107,241
Differences between projected and actual investment earnings	8,399	0
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>139,927</u>	<u>43,593</u>
Total as of August 31, 2018 measurement date	411,349	179,877
Contributions paid to TRS subsequent to the measurement date, net of surcharge reimbursements	<u>61,570</u>	<u>0</u>
Total as of August 31, 2019	<u>\$ 472,919</u>	<u>\$ 179,877</u>

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,	<u>Pension Expense Amount</u>
2021	\$ 67,101
2022	\$ 56,072
2023	\$ 52,657
2024	\$ 49,247
2025	\$ 16,602
Thereafter	\$ (10,207)

The net pension liability of \$836,454 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 pension liability	\$ 949,549	\$ (56,775)	\$56,320	\$836,454

**H. Unavailable Revenue**

Unavailable revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 200,997	\$ 34,363	\$ 235,360

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**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.

**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, 2019 are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 48,583,247,239
Less: plan fiduciary net position	<u>1,292,022,349</u>
Net OPEB Liability	<u>\$ 47,291,224,890</u>
Net position as a percentage of total Liability	2.66%

**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 86<sup>th</sup> Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86<sup>th</sup> legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

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

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**I. Defined Other Post-Employment Benefit Plans – Continued**

**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.

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 2018. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</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	\$	22,038
Current fiscal year Member contributions	\$	15,980
Measurement year NECE On-Behalf contributions	\$	25,317

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.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

**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, 2020, 2019 and 2018 were \$11,462, \$8,704 and \$6,665, respectively.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**I. Defined Other Post-Employment Benefit Plans – Continued**

**Actuarial Assumptions**

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS Pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	
Additional Actuarial Methods and Assumptions:	
Valuation Date	August 31, 2018 Rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019.
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%
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

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

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

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

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**I. Defined Other Post-Employment Benefit Plans- Continued**

**Discount Rate**

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payment to determine the total OPEB liability.

**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 in measuring the net OPEB liability.

	<u>1% Decrease in Discount Rate (1.63%)</u>	<u>Current Single Discount Rate (2.63%)</u>	<u>1% Increase in Discount Rate (3.63%)</u>
District’s proportionate share of net OPEB Liability	\$ 1,532,853	\$ 1,269,633	\$ 1,063,713

**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:

	<u>1% Decrease</u>	<u>Current Healthcare cost Trend Rate</u>	<u>1% Increase</u>
District’s proportionate share of net OPEB liability	\$ 1,035,721	\$ 1,269,633	\$ 1,582,965

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**I. Defined Other Post-Employment Benefit Plans – Continued**

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

At August 31, 2020, the District reported a liability of \$1,269,633 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	\$ 1,269,633
State’s proportionate share that is associated with the District	<u>1,687,056</u>
Total	<u>\$ 2,956,689</u>

The net OPEB liability was measured as of August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019 the District’s proportion of the collective net OPEB liability was 0.0026847087% which was a decrease of .0006149603% from the August 31, 2018 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.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increase or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB liability (TOL).

The trend rates were reset to better reflect the plan’s anticipated experience. This change increased the TOL.

The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There were no lapse assumptions in the prior valuation. These changes decreased the TOL.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**I. Defined Other Post-Employment Benefit Plans - Continued**

The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.

**Changes in Benefit Terms**

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

For the year ended August 31, 2020, the District recognized OPEB expense of \$ 90,624. 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 \$44,464. The State's proportionate share to the plan is recognized as revenue and expense since it is an on-behalf amount.

At August 31, 2020, 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:

	Deferred Outflow Of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 62,286	\$ 207,762
Changes in actuarial assumptions	70,518	341,500
Differences between projected and actual investment		
Earnings	137	0
Changes in proportion and difference between the		
District's contributions and the proportionate		
share of contributions	381,177	340,337
Total	\$ 514,118	\$ 889,599
Contributions paid to TRS subsequent to the measurement date	22,038	0
Total	\$ 536,156	\$ 889,599

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:

Year ended August 31,	Amount
2021	\$ (58,257)
2022	(58,257)
2023	(58,301)
2023	(58,327)
2024	(58,321)
Thereafter	(84,018)

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**I. Defined Other Post-Employment Benefit Plan - Continued**

The net OPEB liability of \$1,269,633 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	<u>\$ 1,647,555</u>	<u>\$ (358,868)</u>	<u>\$ 19,054</u>	<u>\$ 1,269,633</u>

**J. Due from Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments as of August 31, 2020, 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	\$ 316,233	\$ 0	\$ 4,837	\$ 321,070
Debt Service	0	0	925	925
Special Revenue	<u>0</u>	<u>51,521</u>	<u>0</u>	<u>51,521</u>
Totals	<u>\$ 316,233</u>	<u>\$51,521</u>	<u>\$ 5,762</u>	<u>\$ 373,516</u>

**K. 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	\$ 1,737,824	\$ 404,586	\$ 0	\$2,142,410
Cafeteria Sales	0	0	44,661	44,661
Investment Income	40,692	2,404	2,001	45,097
Co-Curricular Activities	19,840	0	0	19,840
Rent	3,300	0	0	3,300
Pre-K Daycare	11,750	0	0	11,750
313 Agreement Pay	50,000	0	0	50,000
Other	<u>26,036</u>	<u>0</u>	<u>0</u>	<u>26,036</u>
Total	<u>\$ 1,889,442</u>	<u>\$ 406,990</u>	<u>\$ 46,662</u>	<u>\$2,343,094</u>

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 YEAR ENDED AUGUST 31, 2020

**L. 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 \$8,996 and was recorded as insurance expense. Changes in the liability during the past year were as follows:

Unpaid claims as of September 1, 2019	\$ 19,423
Incurred claims	736
Payments	<u>( 3,015)</u>
Unpaid claims as of August 31, 2020	<u>\$ 17,144</u>

**M. 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 \$184,272 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 \$ 24,693.

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	\$ 387
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WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
YEAR ENDED AUGUST 31, 2020

**N. Prior Period Adjustment**

The prior period adjustment in the current year of \$84,146 is related to an audit done of the tax rolls by a legal firm and the additional funding from the state as a result of this. It is treated as a prior period adjustment because the audit was for the 2017-18 fiscal year for the school.

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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.001609087%	0.001725122%	0.001440922%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 836,454	\$ 949,549	\$ 460,729
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	1,972,305	2,122,688	1,254,955
Total	<u>\$ 2,808,759</u>	<u>\$ 3,072,237</u>	<u>\$ 1,715,684</u>
District's Covered Payroll	\$ 2,373,494	\$ 2,248,319	\$ 2,130,024
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	35.24%	42.23%	21.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

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, 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.

<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.001474009%	0.0015314%	0.0006729%
\$ 557,006	\$ 541,330	\$ 179,741
1,524,713	1,396,323	1,280,784
<u>\$ 2,081,719</u>	<u>\$ 1,937,653</u>	<u>\$ 1,460,525</u>
\$ 2,116,758	\$ 1,980,095	\$ 2,017,146
26.31%	27.34%	8.91%
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 2020

	2020	2019	2018
Contractually Required Contribution	\$ 61,570	\$ 56,320	\$ 57,886
Contribution in Relation to the Contractually Required Contribution	61,570	56,320	57,886
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,458,402	\$ 2,373,494	\$ 2,248,319
Contributions as a Percentage of Covered Payroll	2.50%	2.37%	2.57%

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.

	2017	2016	2015
\$	47,225	\$ 46,833	\$ 45,346
	47,255	46,833	45,346
\$	-	\$ -	\$ -
\$	2,130,024	\$ 2,116,758	\$ 1,980,095
	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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.002684709%	0.003299669%	0.002505861%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,269,633	\$ 1,647,555	\$ 1,089,705
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,687,056	1,959,361	1,707,157
Total	<u>\$ 2,956,689</u>	<u>\$ 3,606,916</u>	<u>\$ 2,796,862</u>
District's Covered Payroll	\$ 2,373,494	\$ 2,248,319	\$ 2,130,024
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	53.49%	73.28%	51.16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of 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.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 22,038	\$ 19,054	\$ 22,770
Contribution in Relation to the Contractually Required Contribution	22,038	19,054	22,770
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,458,402	\$ 2,373,494	\$ 2,248,319
Contributions as a Percentage of Covered Payroll	0.90%	0.80%	1.01%

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.

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED AUGUST 31, 2020

Notes to Schedules for the TRS Pension

*Changes of benefit terms*

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

*Changes of assumptions*

There were no changes in the actuarial assumptions used in the determination of the total pension liability during the measurement period.

The single discount rate was a blended rate of 6.907% as of August 31, 2018 and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.

With the enactment of SB3 by the 2019 Texas legislature, an assumption has been made about how this would impact future salaries.

Notes to Schedules for the TRS OPEB Plan

*Changes of benefit terms*

There were no changes of benefit terms during the measurement period that affected the total OPEB liability.

*Changes of assumptions*

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes lowered the TOL.

## REQUIRED TEA SCHEDULES

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2020

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ Various
2012	1.170000	0.210000	109,547,979
2013	1.170000	0.200000	115,895,657
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 (School year under audit)	1.068350	0.251600	161,852,862
1000 TOTALS			

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 17,323	\$ -	\$ 8	\$ 2	\$ (6,000)	\$ 11,313
1,033	-	1	-	-	1,032
465	-	12	2	(10)	441
1,013	-	-	-	-	1,013
1,806	-	188	31	(14)	1,573
2,434	-	812	132	(2)	1,488
4,190	-	2,510	262	828	2,246
16,867	-	11,503	1,868	84,532	88,028
35,329	-	20,873	2,676	65,613	77,393
-	2,136,458	1,651,680	388,959	-	95,819
<u>\$ 80,460</u>	<u>\$ 2,136,458</u>	<u>\$ 1,687,587</u>	<u>\$ 393,932</u>	<u>\$ 144,947</u>	<u>\$ 280,346</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, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 58,000	\$ 42,921	\$ 44,661	\$ 1,740
5800 State Program Revenues	1,000	1,000	929	(71)
5900 Federal Program Revenues	120,000	159,290	159,290	-
5020 Total Revenues	<u>179,000</u>	<u>203,211</u>	<u>204,880</u>	<u>1,669</u>
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	185,000	211,659	206,638	5,021
0051 Facilities Maintenance and Operations	3,000	-	-	-
6030 Total Expenditures	<u>188,000</u>	<u>211,659</u>	<u>206,638</u>	<u>5,021</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,000)	(8,448)	(1,758)	6,690
<b>OTHER FINANCING SOURCES (USES):</b>				
7916 Premium or Discount on Issuance of Bonds	9,000	-	-	-
1200 Net Change in Fund Balances	-	(8,448)	(1,758)	6,690
0100 Fund Balance - September 1 (Beginning)	<u>34,432</u>	<u>34,432</u>	<u>34,432</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 34,432</u>	<u>\$ 25,984</u>	<u>\$ 32,674</u>	<u>\$ 6,690</u>

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, 2020

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	\$ 391,539	\$ 506,788	\$ 406,990	\$ (99,798)
5800 State Program Revenues	5,323	5,559	5,559	-
5020 Total Revenues	396,862	512,347	412,549	(99,798)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	135,000	135,000	135,000	-
0072 Interest on Long-Term Debt	87,323	87,323	87,322	1
6030 Total Expenditures	222,323	222,323	222,322	1
1100 Excess of Revenues Over Expenditures	174,539	290,024	190,227	(99,797)
OTHER FINANCING SOURCES (USES):				
7916 Premium or Discount on Issuance of Bonds	-	-	100,000	100,000
1200 Net Change in Fund Balances	174,539	290,024	290,227	203
0100 Fund Balance - September 1 (Beginning)	137,861	137,861	137,861	-
3000 Fund Balance - August 31 (Ending)	\$ 312,400	\$ 427,885	\$ 428,088	\$ 203

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, 2020, 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 December 18, 2020.

### **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.  
December 18, 2020

WATER VALLEY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2020

**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 2020

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