

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED
AUGUST 31, 2015



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

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CERTIFICATE OF BOARD

Valley Mills Independent School District
Name of School District

Bosque
County

018-904
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, 2015, at a meeting of the Board of Trustees of such school district on the 13th day of January, 2016.



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)



UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY
REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Independent Auditor's Report

To the Board of Trustees of
Valley Mills Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Valley Mills Independent School District as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of Valley Mills Independent School District as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Valley Mills Independent School District's basic financial statements. The combining schedules and the Texas Education Agency required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules and the Texas Education Agency required schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules and the Texas Education Agency required 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 November 20, 2015 on our consideration of Valley Mills 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 Valley Mills Independent School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light gray rectangular background.

Singleton, Clark & Company, P.C.
Cedar Park, Texas

November 20, 2015

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Valley Mills Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2015. Please read it in conjunction with the independent auditor's report on page 2 and the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position for governmental activities increased by \$82,726 as a result of this year's operations, but declined by a prior period adjustment of \$369,798 (resulting from GASB 68 and net pension liability recording) to end at \$4,934,753.
- The General Fund of the District reported a fund balance increase of \$258,995 for the year, to end at \$1,131,194.
- Total Governmental Funds of the District (the General Fund plus all Special Revenue Funds, Capital Project Funds, and the Debt Service Fund) reported an overall fund balance decrease of \$30,899, to end at \$1,427,555.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. 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 reports of a business enterprise.

The 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. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

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 Combining Schedules as Supplementary Information section contains even more information about the District's individual nonmajor funds. This information is not required by TEA, but is included for its usefulness. The Other Supplementary Information Section includes TEA Required Schedules and information required by federal monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015

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 begins with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial statements 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 the State of Texas 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.

The Statement of Net Position and the Statement of Activities report the District's net position and changes in net position. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health. 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 nonfinancial 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, school districts are divided into two kinds of activities:

- Governmental activities – School districts report basic services here, including the instruction of students, 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.
- Business-type activities – School districts may charge a fee to "customers" to help it cover all or most of the cost of services it provides for child care programs or other activities that closely model a business venture.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements follow the government-wide statements and provide detailed information about the most significant funds of the District, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education in order to display separate accountability. The District's administration establishes many other funds to help it control and manage money for particular purposes (such as for campus activities). School districts use two different kinds of funds for operations, governmental and proprietary, which use different accounting approaches.

- A school district will use *governmental funds* to account for basic services. 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 Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- A school district will use *proprietary funds* to account for the activities for which it charges users (whether outside customers or other units of the District). Proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, when a district utilizes enterprise funds, (one category of proprietary funds) these are the business-type activities reported in the government-wide statements but they contain more detail and additional information, such as cash flows. Internal service funds (the other category of proprietary funds) report activities that provide supplies and services for a District's other programs and activities, such as a District's self-insurance programs.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages that follow the governmental fund and proprietary fund financial statements. 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.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table I below) and changes in net position (Table II below) of the District's governmental activities and business-type activities.

Net position of the District's governmental activities decreased from \$5,221,825 to \$4,934,753. 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 – was \$942,339 at August 31, 2015. The overall decrease in governmental net position was due to the prior period adjustment resulting from the implementation of GASB 68. More information regarding the current period increase and prior period adjustment decrease is presented in the paragraph following Table II on the next page.

Table I
VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
NET POSITION

| | Governmental Activities 2015 | Governmental Activities 2014 | Change | Business- Type Activities 2015 | Business- Type Activities 2014 | Change |
|----------------------------------|------------------------------------|------------------------------------|---------------------|---|---|-----------------|
| Current & other assets | \$ 1,745,162 | \$ 1,785,353 | \$ (40,191) | \$ 47,142 | \$ 42,746 | \$ 4,396 |
| Capital assets | 11,403,240 | 11,539,289 | (136,049) | - | - | - |
| Deferred outflows | 111,481 | - | 111,481 | - | - | - |
| Total assets | 13,259,883 | 13,324,642 | (64,759) | 47,142 | 42,746 | 4,396 |
| Current liabilities | 187,896 | 383,349 | (195,453) | - | - | - |
| Long-term liabilities | 8,037,391 | 7,719,468 | 317,923 | - | - | - |
| Deferred inflows | 99,843 | - | 99,843 | - | - | - |
| Total liabilities | 8,325,130 | 8,102,817 | 222,313 | - | - | - |
| Net Position: | | | | | | |
| Net investment in capital assets | 3,692,235 | 3,607,526 | 84,709 | - | - | - |
| Restricted | 300,179 | 586,255 | (286,076) | - | - | - |
| Unrestricted | 942,339 | 1,028,044 | (85,705) | 47,142 | 42,746 | 4,396 |
| Total net position | \$ 4,934,753 | \$ 5,221,825 | \$ (287,072) | \$ 47,142 | \$ 42,746 | \$ 4,396 |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015

Table II
VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

| | Governmental Activities 2015 | Governmental Activities 2014 | Change | Business- Type Activities 2015 | Business- Type Activities 2014 | Change |
|-------------------------------------|------------------------------------|------------------------------------|---------------------|---|---|-----------------|
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 218,600 | \$ 239,661 | \$ (21,061) | \$ 10,598 | \$ 12,127 | \$ (1,529) |
| Operating grants & contributions | 802,363 | 749,391 | 52,972 | - | - | - |
| General Revenues: | | | | | | |
| Maintenance & operations taxes | 2,117,865 | 2,031,931 | 85,934 | - | - | - |
| Debt service taxes | 556,441 | 532,178 | 24,263 | - | - | - |
| State aid - formula grants | 3,244,989 | 3,047,719 | 197,270 | - | - | - |
| Grants & contributions not restr. | 48,221 | 1,752 | 46,469 | 462 | - | 462 |
| Investment earnings | 3,229 | 1,315 | 1,914 | - | - | - |
| Miscellaneous | 3,287 | 46,631 | (43,344) | - | - | - |
| Total Revenue | <u>6,994,995</u> | <u>6,650,578</u> | <u>344,417</u> | <u>11,060</u> | <u>12,127</u> | <u>(1,067)</u> |
| Expenses: | | | | | | |
| Instruction | 3,283,258 | 3,137,717 | 145,541 | - | - | - |
| Instr. resources & media services | 97,296 | 118,003 | (20,707) | - | - | - |
| Curriculum and staff development | 31,601 | 31,267 | 334 | - | - | - |
| School leadership | 395,067 | 385,554 | 9,513 | - | - | - |
| Guidance/counseling services | 55,516 | 56,801 | (1,285) | - | - | - |
| Health services | 56,107 | 53,759 | 2,348 | - | - | - |
| Student transportation | 319,055 | 316,092 | 2,963 | - | - | - |
| Food services | 423,761 | 393,325 | 30,436 | - | - | - |
| Cocurricular/extracurricular act. | 340,430 | 360,861 | (20,431) | - | - | - |
| General administration | 341,006 | 346,238 | (5,232) | - | - | - |
| Plant maintenance and operations | 714,293 | 692,449 | 21,844 | - | - | - |
| Security and monitoring services | 6,785 | 7,658 | (873) | - | - | - |
| Data processing services | 199,962 | 196,568 | 3,394 | - | - | - |
| Community services | - | - | - | - | 7,682 | (7,682) |
| Debt service | 340,097 | 332,201 | 7,896 | - | - | - |
| Capital outlay | 3,902 | - | 3,902 | - | - | - |
| Payments to fiscal agents | 304,133 | 305,184 | (1,051) | - | - | - |
| Business-type activities | - | - | - | 6,664 | - | 6,664 |
| Total Expenses | <u>6,912,269</u> | <u>6,733,677</u> | <u>178,592</u> | <u>6,664</u> | <u>7,682</u> | <u>(1,018)</u> |
| Change in net position | 82,726 | (83,099) | 165,825 | 4,396 | 4,445 | (49) |
| Net position at 9/1/14 and 9/1/13 | 5,221,825 | 5,304,924 | (83,099) | 42,746 | 38,301 | 4,445 |
| Prior period adjustment | (369,798) | - | (369,798) | - | - | - |
| Net position at 8/31/15 and 8/31/14 | <u>\$ 4,934,753</u> | <u>\$ 5,221,825</u> | <u>\$ (287,072)</u> | <u>\$ 47,142</u> | <u>\$ 42,746</u> | <u>\$ 4,396</u> |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015

THE DISTRICT'S FUNDS

As the District completed this annual period, the General Fund reported a fund balance of \$1,131,194, which is \$258,995 more than last year's total of \$872,199. The increase in fund balance is mainly attributable to greater than expected state program revenue and lower than expected expenditures.

The District's Debt Service fund reported a fund balance of \$271,309 which is \$28,900 more than last year's total of \$242,409. The increase in fund balance is due primarily to lower than expected other debt fees. The purpose of the Debt Service Fund is to provide for the payment of bond principal and interest payments as they become due.

The District's major special revenue fund, the State Textbook Fund, did not report a fund balance as of year end due to the type of state grant funding the fund receives. The District accounts for resources and textbooks received from the state in this fund.

The District's other governmental funds reported a fund balance of \$25,052 as compared to \$343,846 in 2014, which is \$318,794 less than the previous year. The primary difference between fiscal year 2014 and fiscal year 2015 governmental funds relates mostly to the expenditures in the Capital Project Fund for the year.

Over the course of the year, the Board of Trustees revised the District's budget several times. These amendments involved moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. None of the amendments were considered significant.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2015, the District had \$11,403,240 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. A summary of the ending balances of capital assets by major category for both 2015 and 2014 is as follows:

| | Governmental Activities 2015 | Governmental Activities 2014 | Change |
|-------------------------------------|------------------------------------|------------------------------------|---------------------|
| Land | \$ 430,391 | \$ 430,391 | \$ - |
| Buildings | 15,107,541 | 14,784,603 | 322,938 |
| Furniture and Equipment | 1,011,998 | 1,084,022 | (72,024) |
| Total | <u>16,549,930</u> | <u>16,299,016</u> | <u>250,914</u> |
| Less Accumulated Depreciation | <u>(5,146,690)</u> | <u>(4,759,727)</u> | <u>(386,963)</u> |
| Capital assets, net of depreciation | <u>\$ 11,403,240</u> | <u>\$ 11,539,289</u> | <u>\$ (136,049)</u> |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015

Debt

At year-end, the District had \$8,037,391 in bonds and other long-term debt outstanding versus \$7,931,763 last year. The increase is attributable to the District implementing GASB-68 during fiscal year 2015 which required the recognition of the District's proportionate share of the net pension liability of the Teacher Retirement System of Texas. A summary of the ending balances of long-term debt by type for both 2015 and 2014 is as follows:

| | Governmental Activities 2015 | Governmental Activities 2014 | Change |
|--------------------------|------------------------------------|------------------------------------|-------------------|
| General Obligation Bonds | \$ 7,671,238 | \$ 7,879,703 | \$ (208,465) |
| Capital Leases Payable | 39,767 | 52,060 | (12,293) |
| Net Pension Liability | 326,386 | - | 326,386 |
| Total | <u>\$ 8,037,391</u> | <u>\$ 7,931,763</u> | <u>\$ 105,628</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2015-2016 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. A steadily increasing enrollment population, coupled with a moderate increase in property values, has led to a General Fund budget of \$5.72 million for the 2015-2016 fiscal year. The budget increased from 2014-2015 to 2015-2016 by approximately \$180 thousand, a direct result from increased average daily attendance, which generates more state revenues.

For the 2015-2016 budget year, the District has held constant its maintenance and operations tax rate at \$1.04 per hundred of taxable value. The District has the capability to call a tax ratification election which could authorize up to \$1.17 cents for maintenance and operations. The District has no current plans to call a tax ratification election. The District adopted a debt service tax rate of \$.274 for the 2015-2016 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2015-2016 budget year is \$1.34 per hundred of taxable value.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Valley Mills Independent School District, 1 Eagle Way, P.O. Box 518, Valley Mills, Texas 76689, or by calling (254) 932-5210.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | Primary Government | | | |
|---------------------------------------|--|----------------------------------|------------------|---------------------|
| | 1 Governmental Activities | 2 Business-Type Activities | 3 Total | |
| ASSETS | | | | |
| 1110 | Cash and Cash Equivalents | \$ 1,266,385 | \$ 47,142 | \$ 1,313,527 |
| 1225 | Property Taxes Receivable (net) | 143,678 | - | 143,678 |
| 1240 | Due from Other Governments | 288,544 | - | 288,544 |
| 1290 | Other Receivables, net | 46,555 | - | 46,555 |
| | Capital Assets: | | | |
| 1510 | Land | 430,391 | - | 430,391 |
| 1520 | Buildings and Improvements, Net | 10,562,667 | - | 10,562,667 |
| 1530 | Furniture and Equipment, Net | 410,182 | - | 410,182 |
| 1000 | Total Assets | <u>13,148,402</u> | <u>47,142</u> | <u>13,195,544</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| 1705 | Deferred Outflows-Pension | 111,481 | - | 111,481 |
| | Total Deferred Outflows of Resources | <u>111,481</u> | <u>-</u> | <u>111,481</u> |
| LIABILITIES | | | | |
| 2110 | Accounts Payable | 51,757 | - | 51,757 |
| 2140 | Interest Payable | 13,966 | - | 13,966 |
| 2160 | Accrued Wages Payable | 116,484 | - | 116,484 |
| 2200 | Accrued Expenses | 2,432 | - | 2,432 |
| 2300 | Unearned Revenue | 3,257 | - | 3,257 |
| | Noncurrent Liabilities: | | | |
| 2501 | Bonds, Loans & Other Payable-Due Within One Year | 222,762 | - | 222,762 |
| 2502 | Bonds Payable - Due in More than One Year | 7,385,000 | - | 7,385,000 |
| 2516 | Unamortized Premium (Discount) on Bonds | 76,238 | - | 76,238 |
| 2530 | Other Long-Term Debt - Due in More than One Year | 27,005 | - | 27,005 |
| 2540 | Net Pension Liability | 326,386 | - | 326,386 |
| 2000 | Total Liabilities | <u>8,225,287</u> | <u>-</u> | <u>8,225,287</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| 2605 | Deferred Inflows-Pension | 99,843 | - | 99,843 |
| | Total Deferred Inflows of Resources | <u>99,843</u> | <u>-</u> | <u>99,843</u> |
| NET POSITION | | | | |
| 3200 | Net Investment in Capital Assets | 3,692,235 | - | 3,692,235 |
| | Restricted for: | | | |
| 3850 | Debt Service | 300,179 | - | 300,179 |
| 3900 | Unrestricted | 942,339 | 47,142 | 989,481 |
| 3000 | Total Net Position | <u>\$ 4,934,753</u> | <u>\$ 47,142</u> | <u>\$ 4,981,895</u> |

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

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | 1 Expenses | Program Revenues | | Net (Expense) Rev. & Changes in Net Position |
|---|---------------------|------------------------------|---|--|
| | | 3 Charges for Services | 4 Operating Grants and Contributions | 6 Primary Gov. Governmental Activities |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| 11 Instruction | \$ 3,283,258 | \$ 109,534 | \$ 717,534 | \$ (2,456,190) |
| 12 Instructional Resources & Media Services | 97,296 | - | 4,737 | (92,559) |
| 13 Curriculum & Staff Development | 31,601 | - | 731 | (30,870) |
| 23 School Leadership | 395,067 | - | 16,700 | (378,367) |
| 31 Guidance/Counseling/Evaluation Services | 55,516 | - | 2,988 | (52,528) |
| 33 Health Services | 56,107 | - | 2,989 | (53,118) |
| 34 Student Transportation | 319,055 | - | 161 | (318,894) |
| 35 Food Services | 423,761 | 89,945 | 10,851 | (322,965) |
| 36 Extracurricular Activities | 340,430 | 19,121 | 6,960 | (314,349) |
| 41 General Administration | 341,006 | - | 9,847 | (331,159) |
| 51 Plant Maintenance and Operations | 714,293 | - | 18,763 | (695,530) |
| 52 Security and Monitoring Services | 6,785 | - | - | (6,785) |
| 53 Data Processing Services | 199,962 | - | 7,422 | (192,540) |
| 72 Interest on Long-Term Debt | 338,864 | - | 2,680 | (336,184) |
| 73 Bond Issuance Cost & Fees | 1,233 | - | - | (1,233) |
| 81 Capital Outlay | 3,902 | - | - | (3,902) |
| 93 Payments to Fiscal Agent/Member Dist. of SSA | 304,133 | - | - | (304,133) |
| TG Total Governmental Activities: | <u>6,912,269</u> | <u>218,600</u> | <u>802,363</u> | <u>(5,891,306)</u> |
| BUSINESS-TYPE ACTIVITIES: | | | | |
| 01 Enterprise Fund - After School Care Program | 6,664 | 10,598 | - | - |
| TB Total Business-Type Activities: | <u>6,664</u> | <u>10,598</u> | <u>-</u> | <u>-</u> |
| TP TOTAL PRIMARY GOVERNMENT: | <u>\$ 6,918,933</u> | <u>\$ 229,198</u> | <u>\$ 802,363</u> | <u>(5,891,306)</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| MT Property Taxes, Levied for General Purposes | | | | 2,117,865 |
| DT Property Taxes, Levied for Debt Service | | | | 556,441 |
| SF State Aid - Formula Grants | | | | 3,244,989 |
| GC Grants and Contributions, not Restricted | | | | 48,221 |
| IE Investment Earnings | | | | 3,229 |
| MI Miscellaneous Local and Intermediate Revenue | | | | 3,287 |
| Total General Revenues | | | | <u>5,974,032</u> |
| CN Change in Net Position | | | | 82,726 |
| NB Net Position -- Beginning | | | | 5,221,825 |
| PA Prior Period Adjustment Required by GASB 68 | | | | (369,798) |
| NE Net Position -- Ending | | | | <u>\$ 4,934,753</u> |

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

| | 7 | 8 |
|-----------------------------|---|----------------|
| Business-Type Activities | | Total |
| \$ - | | \$ (2,456,190) |
| - | | (92,559) |
| - | | (30,870) |
| - | | (378,367) |
| - | | (52,528) |
| - | | (53,118) |
| - | | (318,894) |
| - | | (322,965) |
| - | | (314,349) |
| - | | (331,159) |
| - | | (695,530) |
| - | | (6,785) |
| - | | (192,540) |
| - | | (336,184) |
| - | | (1,233) |
| - | | (3,902) |
| - | | (304,133) |
| - | | (5,891,306) |
| 3,934 | | 3,934 |
| 3,934 | | 3,934 |
| 3,934 | | (5,887,372) |
| - | | 2,117,865 |
| - | | 556,441 |
| - | | 3,244,989 |
| 462 | | 48,683 |
| - | | 3,229 |
| - | | 3,287 |
| 462 | | 5,974,494 |
| 4,396 | | 87,122 |
| 42,746 | | 5,264,571 |
| - | | (369,798) |
| \$ 47,142 | | \$ 4,981,895 |

FUND BASIS FINANCIAL STATEMENTS

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

| Data | 10 | 40 | 50 | 98 | | |
|--------------------------------------|--|---------------------|------------------|-------------------|------------------|---------------------|
| Control | General | State | Debt | Other | Total | |
| Codes | Fund | Fund | Fund | Funds | Funds | |
| ASSETS | | | | | | |
| 1110 | Cash and Cash Equivalents | \$ 952,656 | \$ - | \$ 277,533 | \$ 36,196 | \$ 1,266,385 |
| 1220 | Property Taxes - Delinquent | 127,564 | - | 32,078 | - | 159,642 |
| 1230 | Allowance for Uncollectible Taxes (Credit) | (12,756) | - | (3,208) | - | (15,964) |
| 1240 | Due from Other Governments | 227,700 | 38,053 | - | 22,791 | 288,544 |
| 1260 | Due from Other Funds | 49,679 | - | - | - | 49,679 |
| 1290 | Other Receivables | 38,419 | - | 8,136 | - | 46,555 |
| 1000A | Total Assets | <u>\$ 1,383,262</u> | <u>\$ 38,053</u> | <u>\$ 314,539</u> | <u>\$ 58,987</u> | <u>\$ 1,794,841</u> |
| LIABILITIES | | | | | | |
| 2110 | Accounts Payable | \$ 27,447 | \$ 15,909 | \$ - | \$ 8,401 | \$ 51,757 |
| 2160 | Accrued Wages Payable | 107,849 | - | - | 8,635 | 116,484 |
| 2170 | Due to Other Funds | - | 22,144 | 14,360 | 13,175 | 49,679 |
| 2200 | Accrued Expenditures | 1,965 | - | - | 467 | 2,432 |
| 2300 | Unearned Revenues | - | - | - | 3,257 | 3,257 |
| 2000 | Total Liabilities | <u>137,261</u> | <u>38,053</u> | <u>14,360</u> | <u>33,935</u> | <u>223,609</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| 2600 | Deferred Inflows | 114,807 | - | 28,870 | - | 143,677 |
| | Total Deferred Inflows of Resources | <u>114,807</u> | <u>-</u> | <u>28,870</u> | <u>-</u> | <u>143,677</u> |
| FUND BALANCES | | | | | | |
| Restricted for: | | | | | | |
| 3480 | Retirement of Long-Term Debt | - | - | 271,309 | - | 271,309 |
| Assigned for: | | | | | | |
| 3550 | Construction | - | - | - | 25,052 | 25,052 |
| 3600 | Unassigned Fund Balance | 1,131,194 | - | - | - | 1,131,194 |
| 3000 | Total Fund Balances | <u>1,131,194</u> | <u>-</u> | <u>271,309</u> | <u>25,052</u> | <u>1,427,555</u> |
| 4000 | Total Liab., Def. Inflows, and Fund Balances | <u>\$ 1,383,262</u> | <u>\$ 38,053</u> | <u>\$ 314,539</u> | <u>\$ 58,987</u> | <u>\$ 1,794,841</u> |

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

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2015

| | 1 |
|---|--------------|
| Total Fund Balances - Governmental Funds | \$ 1,427,555 |
| 1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of recording the beginning of the year value of \$16,299,016 for capital assets and \$4,759,727 for accumulated depreciation to the Statement of Net Position was an increase in net position. | 11,539,289 |
| 2 Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Position. The effect of capitalizing current expenditures for capital outlays during the year was an increase in net position. | 361,452 |
| 3 Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The effect of recording depreciation expense to the Statement of Net Position is a decrease in net position. | (497,501) |
| 4 Long-term debt issued by governmental activities is not a current financial liability and therefore not reported in governmental funds. The effect of recording the beginning of the year value for all long-term debt outstanding is a decrease in net position. | (7,931,763) |
| 5 Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Position. The effect of reducing long-term debt is an increase in net position. | 217,293 |
| 6 Since long-term debt is not recorded in governmental funds, issuance premiums/discounts and related subsequent amortization is also not recorded. The net effect of recording amortization on premiums/discounts on long-term debt is an increase/(decrease) in net position. | 3,465 |
| 7 Accrued interest related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds. The effect of recording accrued interest is a decrease in net position. | (13,966) |
| 8 Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is an increase in net position. | 143,677 |
| 9 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability of the Teacher Retirement System of Texas (TRS) as required by GASB 68 through a prior period adjustment in the amount of \$369,798. Additionally, the effect of current period changes in the net pension liability through recognition of deferred inflows and outflows resulted in an increase of \$55,050. This amounted to an overall net decrease in Net Position in the amount of \$314,748. | (314,748) |
| 19 Net Position of Governmental Activities | \$ 4,934,753 |

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

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

| Data | 10 | 40 | 50 | 98 | |
|--|---------------------|---------------|-------------------|------------------|---------------------|
| Control | | State | Debt | | Total |
| Codes | General | Textbook | Service | Other | Governmental |
| | Fund | Fund | Fund | Funds | Funds |
| REVENUES: | | | | | |
| 5700 Local and Intermediate Sources | \$ 2,262,519 | \$ - | \$ 559,074 | \$ 89,997 | \$ 2,911,590 |
| 5800 State Program Revenues | 3,461,191 | 91,950 | 2,680 | 13,352 | 3,569,173 |
| 5900 Federal Program Revenues | 46,882 | - | - | 479,518 | 526,400 |
| 5020 Total Revenues | <u>5,770,592</u> | <u>91,950</u> | <u>561,754</u> | <u>582,867</u> | <u>7,007,163</u> |
| EXPENDITURES: | | | | | |
| 0011 Instruction | 2,757,165 | 91,950 | - | 230,509 | 3,079,624 |
| 0012 Instructional Resources & Media Services | 90,039 | - | - | - | 90,039 |
| 0013 Curriculum & Instructional Staff Development | 29,244 | - | - | - | 29,244 |
| 0023 School Leadership | 369,165 | - | - | - | 369,165 |
| 0031 Guidance, Counseling & Evaluation Services | 51,375 | - | - | - | 51,375 |
| 0033 Health Services | 51,922 | - | - | - | 51,922 |
| 0034 Student (Pupil) Transportation | 295,257 | - | - | - | 295,257 |
| 0035 Food Services | - | - | - | 392,153 | 392,153 |
| 0036 Cocurricular/Extracurricular Activities | 315,037 | - | - | - | 315,037 |
| 0041 General Administration | 319,136 | - | - | - | 319,136 |
| 0051 Plant Maintenance and Operations | 706,601 | - | - | - | 706,601 |
| 0052 Security and Monitoring Services | 6,279 | - | - | - | 6,279 |
| 0053 Data Processing Services | 185,047 | - | - | - | 185,047 |
| 0071 Debt Service - Principal | 12,293 | - | 205,000 | - | 217,293 |
| 0072 Debt Service - Interest | 1,742 | - | 326,621 | - | 328,363 |
| 0073 Debt Service - Other Fees | - | - | 1,233 | - | 1,233 |
| 0081 Facilities Acquisition and Construction | - | - | - | 318,846 | 318,846 |
| 0093 Payments to Fiscal Agent/Member Dist. of SSA | 281,448 | - | - | - | 281,448 |
| 6030 Total Expenditures | <u>5,471,750</u> | <u>91,950</u> | <u>532,854</u> | <u>941,508</u> | <u>7,038,062</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>298,842</u> | <u>-</u> | <u>28,900</u> | <u>(358,641)</u> | <u>(30,899)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 Transfers In | - | - | - | 39,847 | 39,847 |
| 8911 Transfers Out | (39,847) | - | - | - | (39,847) |
| 7080 Total Other Financing Sources (Uses) | <u>(39,847)</u> | <u>-</u> | <u>-</u> | <u>39,847</u> | <u>-</u> |
| 1200 Net Change in Fund Balance | 258,995 | - | 28,900 | (318,794) | (30,899) |
| 0100 Fund Balance - Beginning | 872,199 | - | 242,409 | 343,846 | 1,458,454 |
| 3000 Fund Balance - Ending | <u>\$ 1,131,194</u> | <u>\$ -</u> | <u>\$ 271,309</u> | <u>\$ 25,052</u> | <u>\$ 1,427,555</u> |

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

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2015

| | | |
|----|--|-------------|
| | Total Net Change in Fund Balances – Governmental Funds | \$ (30,899) |
| 1 | Capital outlay transactions are expenditures in governmental funds but are capitalized as assets on the Statement of Net Position. The net effect of capitalizing current expenditures for capital outlays during the year was an increase in the change in net position. | 361,452 |
| 2 | Since capital assets are not reported in governmental funds, related depreciation expense is also not reported. The net effect of recording depreciation expense to the Statement of Net Position is a decrease in the change in net position. | (497,501) |
| 3 | Long-term debt payments are expenditures in the governmental funds but are treated as reductions of long-term debt on the Statement of Net Position. The net effect of reducing long-term debt is an increase in the change in net position. | 217,293 |
| 4 | Since long-term debt is not recorded in governmental funds, issuance premiums/discounts and related subsequent amortization is also not recorded. The net effect of recording amortization on premiums/discounts on long-term debt is an increase/(decrease) in the change in net position. | 3,465 |
| 5 | Accrued interest related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds. The effect of recording accrued interest is a decrease in the change in net position. | (13,966) |
| 6 | Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. The net effect of this difference in property tax revenue recognition is an increase/(decrease) in the change in net position. | (12,168) |
| 7 | The implementation of GASB 68 required that certain expenditures be de-expended and recorded as Deferred Resource Outflows. These pension related expenditures to the Teacher Retirement System of Texas (TRS) made after the measurement date of 8/31/14 caused the change in the ending net position to increase in the amount of \$85,218. The District's share of pension expenses amounted to \$50,700. The District's share of the unrecognized Deferred Inflows and Outflows for TRS as of the measurement date had to be amortized. This caused an increase in the change in net position in the amount of \$20,532. The impact of all of these is to increase the change in net position by \$55,050. | 55,050 |
| 19 | Change in Net Position of Governmental Activities | \$ 82,726 |

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

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | Budgeted Amounts | | Actual | Variance With Final Budget |
|---|-------------------|-------------------|-------------------------|-------------------------------|
| | Original | Final | Amounts (GAAP BASIS) | |
| REVENUES: | | | | |
| 5700 Local & Intermediate Sources | \$ 2,223,883 | \$ 2,282,352 | \$ 2,262,519 | \$ (19,833) |
| 5800 State Program Revenues | 3,315,357 | 3,315,357 | 3,461,191 | 145,834 |
| 5900 Federal Program Revenues | - | - | 46,882 | 46,882 |
| 5020 Total Revenues | <u>5,539,240</u> | <u>5,597,709</u> | <u>5,770,592</u> | <u>172,883</u> |
| EXPENDITURES: | | | | |
| 0011 Instruction | 2,713,953 | 2,756,522 | 2,757,165 | (643) |
| 0012 Instructional Resources & Media Services | 110,129 | 92,129 | 90,039 | 2,090 |
| 0013 Curriculum and Staff Development | 46,223 | 32,223 | 29,244 | 2,979 |
| 0023 School Leadership | 358,003 | 370,303 | 369,165 | 1,138 |
| 0031 Guidance/Counseling/Evaluation Services | 56,864 | 56,864 | 51,375 | 5,489 |
| 0033 Health Services | 53,480 | 53,480 | 51,922 | 1,558 |
| 0034 Student Transportation | 348,336 | 317,300 | 295,257 | 22,043 |
| 0036 Extracurricular Activities | 331,181 | 331,661 | 315,037 | 16,624 |
| 0041 General Administration | 329,577 | 338,327 | 319,136 | 19,191 |
| 0051 Facilities Maintenance & Operations | 660,403 | 705,923 | 706,601 | (678) |
| 0052 Security and Monitoring Services | 6,966 | 6,966 | 6,279 | 687 |
| 0053 Data Processing Services | 190,388 | 188,238 | 185,047 | 3,191 |
| Debt Service: | | | | |
| 0071 Principal on Long Term Debt | - | 12,292 | 12,293 | (1) |
| 0072 Interest on Long Term Debt | - | 1,744 | 1,742 | 2 |
| Intergovernmental: | | | | |
| 0093 Payments to Fiscal Agent/Member Dist. of SS. | 281,450 | 281,450 | 281,448 | 2 |
| 6030 Total Expenditures | <u>5,486,953</u> | <u>5,545,422</u> | <u>5,471,750</u> | <u>73,672</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>52,287</u> | <u>52,287</u> | <u>298,842</u> | <u>246,555</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| 8911 Transfers Out | (46,115) | (46,115) | (39,847) | 6,268 |
| 7080 Total Other Financing Sources (Uses) | <u>(46,115)</u> | <u>(46,115)</u> | <u>(39,847)</u> | <u>6,268</u> |
| 1200 Net Change in Fund Balances | 6,172 | 6,172 | 258,995 | 252,823 |
| 0100 Fund Balance-September 1 (Beginning) | 872,199 | 872,199 | 872,199 | - |
| 3000 Fund Balance-August 31 (Ending) | <u>\$ 878,371</u> | <u>\$ 878,371</u> | <u>\$ 1,131,194</u> | <u>\$ 252,823</u> |

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

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAD ENDED AUGUST 31, 2015

| Data Control Codes | Business-Type Activities After School Care Program |
|--------------------------------|---|
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 47,142 |
| 1000 Total Assets | <u>47,142</u> |
| NET POSITION | |
| 3900 Unrestricted Net Position | 47,142 |
| 3000 Total Net Position | <u><u>\$ 47,142</u></u> |

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

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | Business-Type Activities After School Care Program |
|--|---|
| OPERATING REVENUES: | |
| 5700 Local and Intermediate Sources | \$ 10,598 |
| 5800 State Program Revenues | 462 |
| 5020 Total Revenues | <u>11,060</u> |
| OPERATING EXPENSES: | |
| 6100 Payroll Costs | 6,664 |
| 6030 Total Expenses | <u>6,664</u> |
| Income (Loss) before Contributions and Transfers | <u>4,396</u> |
| 1300 Change in Net Position | 4,396 |
| 0100 Total Net Position - Beginning | 42,746 |
| 3300 Total Net Position - Ending | <u><u>\$ 47,142</u></u> |

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

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | Business-Type Activities After School Care Program |
|---|---|
| <u>Cash Flows from Operating Activities:</u> | |
| Cash Received from User Charges | \$ 11,060 |
| Cash Payments to Employees for Services | (6,664) |
| Net Cash provided by (Used for) Operating Activities | 4,396 |
| <u>Cash Flows from Non-Capital Financing Activities:</u> | |
| Net Increase (Decrease) in Cash and Cash Equivalents | 4,396 |
| Cash and Cash Equivalents at Beginning of the Year | 42,746 |
| Cash and Cash Equivalents at the End of the Year: | \$ 47,142 |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u> | |
| Operating Income (Loss): | \$ 4,396 |
| Net Cash Provided by (Used for) Operating Activities | \$ 4,396 |

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

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
FOR THE YEAD ENDED AUGUST 31, 2015

| Data Control Codes | Private Purpose Trust | |
|--------------------------------|--------------------------|------------------|
| | Funds | Agency Funds |
| ASSETS | | |
| 1110 Cash and Cash Equivalents | \$ 48,117 | \$ 49,773 |
| 1000 Total Assets | <u>48,117</u> | <u>49,773</u> |
| LIABILITIES | | |
| 2190 Due to Student Groups | - | 49,773 |
| 2000 Total Liabilities | <u>-</u> | <u>\$ 49,773</u> |
| NET POSITION | | |
| 3800 Held in Trust | 48,117 | |
| 3000 Total Net Position | <u>\$ 48,117</u> | |

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

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | Private Purpose Trust Fund |
|---|----------------------------------|
| REVENUES: | |
| 5700 Local and Intermediate Sources | \$ 4,058 |
| 5020 Total Revenues | <u>4,058</u> |
| EXPENSES: | |
| 6200 Professional and Contracted Services | 2,751 |
| 6030 Total Expenses | <u>2,751</u> |
| 1200 Change in Net Position | 1,307 |
| 0100 Net Position - Beginning | <u>46,810</u> |
| 3000 Net Position - Ending | <u><u>\$ 48,117</u></u> |

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

NOTES TO THE FINANCIAL STATEMENTS

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Valley Mills 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 promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it 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.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Valley Mills Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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 includes 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 a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

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The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, 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 and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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, as do the proprietary fund and fiduciary fund financial statements. 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. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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 Fund - 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.

State Textbook Fund - The District accounts for state grant resources and textbooks received in this fund.

The District reports the following major proprietary funds:

Enterprise Funds - The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The only enterprise fund reported is the After School Care Program.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds - The District accounts for resources restricted, committed, or assigned 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.

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

Fiduciary Funds:

Private Purpose Trust Funds - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District in a private purpose trust fund.

Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. Student activity funds are accounted for using an agency fund.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2015

E. OTHER ACCOUNTING POLICIES

1. Cash Equivalents

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. Inventories

The District does not report inventories of supplies for consumable maintenance, instructional, office, athletic, or transportation items due to the unused amount of these items being on hand at any given time being deemed immaterial.

3. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, unless the straight-line method is not materially different, in which case the straight-line method is used. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense in the year of issuance of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. Vacation and Sick Leave

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. 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. Vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements if determined to be material at year end. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2015

5. Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 one year. 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, furniture 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 | 30-50 |
| Building Improvements | 10-20 |
| Vehicles | 5-10 |
| Furniture & Equipment | 5-20 |

6. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

7. 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 pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District purchased commercial insurance to cover general liabilities. Employees of the District were covered during the year by a workers' compensation insurance plan, which is described within Section III of the Notes to the Financial Statements. There were no significant reductions in coverage in the past fiscal year, and no settlements exceeding insurance coverage for each of the past three fiscal years.

9. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a state-wide data base for policy development and funding plans.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2015

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Child Nutrition Fund and the Debt Service Fund. 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 as Exhibit C-3 and the other two reports are Exhibits J-4 and J-5, respectively.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to the end of each fiscal year, the District prepares a budget for the next succeeding fiscal year. 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 the first day of the fiscal year, 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

| Fund Balance - Special Revenue Funds | |
|--|-----------|
| Non-Appropriated Budget Funds - Capital Project Fund | \$ 25,052 |
| All Special Revenue Funds | \$ 25,052 |

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no expenditures reported in excess of appropriations during the year in relation to any of the District's legally adopted budgets.

C. DEFICIT FUND EQUITY

The District had no funds with deficit fund equity at year end.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

The funds of the District must be deposited and invested under terms of a contract, contents of which are set out in Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agency bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$1,411,417 and the bank balance was \$1,500,440. The District's combined deposits were fully insured at all times by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

The following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: First National Bank of Bosque County, Texas.
- b. The fair market value of collateral pledged to the District, as of the date of the highest combined balance on deposit was \$1,622,455.
- c. The largest combined balances of cash, savings, and time deposit accounts amounted to \$1,601,577. These balances occurred during the month of February 2015.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000.
- e. The amount of unsecured deposits was \$-0-.

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 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.

Foreign Currency Risk for Deposits

The District does not invest in securities relating to foreign currencies and therefore has no foreign currency risk.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

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 policies. 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 quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Valley Mills Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2015, Valley Mills Independent School District did not have an investment balance.

Additional policies and contractual provisions governing investments for Valley Mills 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 limits investments in the U.S. Government or the State of Texas or its agencies and instrumentalities, commercial paper, corporate bonds, and mutual bond funds to only ones with quality ratings issued by nationally recognized statistical rating organizations (NRSROs).

Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in 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. However, investments in local government investment pools are excluded from this 5% requirement due to the low-risk nature of the underlying investments within government investment pools.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2015

Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for Investments

The District does not invest in securities relating to foreign currencies and therefore has no foreign currency risk relating to investments.

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 and subject to interest if not paid before February 1st of the year following the year in which imposed. On June 30th of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2015, consisted of the following amounts:

| | Due From Other Funds | Due To Other Funds |
|-----------------------------|-------------------------|-----------------------|
| General Fund: | | |
| Special Revenue Funds | \$ 35,319 | \$ - |
| Debt Service Fund | 14,360 | - |
| Total General Fund | 49,679 | - |
| Special Revenue Funds: | | |
| General Fund | - | 35,319 |
| Total Special Revenue Funds | - | 35,319 |
| Debt Service Fund: | | |
| General Fund | - | 14,360 |
| Total Debt Service Fund | - | 14,360 |
| Grand Total | \$ 49,679 | \$ 49,679 |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

Interfund transfers for the year ended August 31, 2015, consisted of the following individual amounts:

The General Fund transferred \$39,847 to the Child Nutrition Fund to provide for supplemental financing needs.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2015, were as follows:

| | Property Taxes (net) | Other Governments | Other Receivables | Total Receivables |
|---------------------------------|-------------------------|----------------------|----------------------|----------------------|
| Governmental Activities: | | | | |
| General Fund | \$ 114,808 | \$ 227,700 | \$ 38,419 | \$ 380,927 |
| State Textbook Fund | - | 38,053 | - | 38,053 |
| Debt Service Fund | 28,870 | - | 8,136 | 37,006 |
| Other Governmental Funds | - | 22,791 | - | 22,791 |
| Total - Governmental Activities | <u>\$ 143,678</u> | <u>\$ 288,544</u> | <u>\$ 46,555</u> | <u>\$ 478,777</u> |

Payables at August 31, 2015, were as follows:

| | Accounts Payable | Salaries/ Benefits | Accrued Expenditures | Total Payables |
|---------------------------------|---------------------|-----------------------|-------------------------|-------------------|
| Governmental Activities: | | | | |
| General Fund | \$ 27,447 | \$ 107,849 | \$ 1,965 | \$ 137,261 |
| State Textbook Fund | 15,909 | - | - | 15,909 |
| Other Governmental Funds | 8,401 | 8,635 | 467 | 17,503 |
| Total - Governmental Activities | <u>\$ 51,757</u> | <u>\$ 116,484</u> | <u>\$ 2,432</u> | <u>\$ 170,673</u> |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2015, was as follows:

| | Beginning | | Retirements | Ending |
|---|---------------------|---------------------|------------------|---------------------|
| | Balance | Additions | | Balance |
| | 9/1/14 | | | 8/31/15 |
| Governmental Activities: | | | | |
| Land | \$ 430,391 | \$ - | \$ - | \$ 430,391 |
| Buildings and Improvements | 14,784,603 | 322,938 | - | 15,107,541 |
| Furniture and Equipment | 1,084,022 | 38,514 | (110,538) | 1,011,998 |
| Totals at Historical Cost | <u>16,299,016</u> | <u>361,452</u> | <u>(110,538)</u> | <u>16,549,930</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (4,134,203) | (410,671) | - | (4,544,874) |
| Furniture and Equipment | (625,524) | (86,830) | 110,538 | (601,816) |
| Total Accumulated Depreciation | <u>(4,759,727)</u> | <u>(497,501)</u> | <u>110,538</u> | <u>(5,146,690)</u> |
| Governmental Activities Capital Assets, Net | <u>\$11,539,289</u> | <u>\$ (136,049)</u> | <u>\$ -</u> | <u>\$11,403,240</u> |

Depreciation expense was charged to governmental functions as follows:

| Function | | Depreciation Allocation |
|----------|---|-------------------------|
| 11 | Instruction | \$ 248,225 |
| 12 | Instructional Resources & Media | 7,257 |
| 13 | Curriculum & Staff Development | 2,357 |
| 23 | School Leadership | 29,755 |
| 31 | Guidance/Counseling/Evaluation Services | 4,141 |
| 33 | Health Services | 4,185 |
| 34 | Student Transportation | 23,798 |
| 35 | Food Services | 31,608 |
| 36 | Cocurricular/Extracurricular Activities | 25,393 |
| 41 | General Administration | 25,723 |
| 51 | Plant Maintenance and Operations | 56,953 |
| 52 | Security and Monitoring Services | 506 |
| 53 | Data Processing Services | 14,915 |
| 93 | Payments related to SSAs | 22,685 |
| Totals | | <u>\$ 497,501</u> |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

G. BONDS, NOTES, AND CAPITAL LEASES PAYABLE

Bonded indebtedness of the District is reflected in the government-wide financial statements. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2015 is as follows:

| Description | Interest Rate | Original Issue | Current Year Interest | Outstanding 9/1/14 | Additions | Deletions | Outstanding 8/31/15 | Due in One Year |
|--|---------------|----------------|-----------------------|--------------------|------------|--------------|---------------------|-----------------|
| Bonds Payable - Principal | | | | | | | | |
| U/L Tax School Building Bonds, Series 2007 | 4.0-4.5% | \$ 8,099,999 | \$ 316,196 | \$ 7,315,000 | \$ - | \$ (150,000) | \$ 7,165,000 | \$ 150,000 |
| U/L Tax Refunding Bonds, Series 2012 | 2.0-2.5% | 595,000 | 10,425 | 485,000 | - | (55,000) | 430,000 | 60,000 |
| Total Bonds Payable | | | 326,621 | 7,800,000 | - | (205,000) | 7,595,000 | 210,000 |
| Bonds Payable Premium and Discounts | | | | | | | | |
| Bond Premium, Series 2007 | | | | 79,703 | - | (3,465) | 76,238 | |
| Total Bond Premium and Discounts | | | | 79,703 | - | (3,465) | 76,238 | |
| Total Bonds Payable | | | | 7,879,703 | - | (208,465) | 7,671,238 | 210,000 |
| Capital Leases Payable | | | | | | | | |
| Bus Lease | 3.75% | 63,900 | 1,742 | 52,060 | - | (12,293) | 39,767 | 12,762 |
| Total Capital Leases Payable | | | 1,742 | 52,060 | - | (12,293) | 39,767 | 12,762 |
| Other Long-Term Debt | | | | | | | | |
| Net Pension Liability | | | | - | 326,386 | - | 326,386 | |
| | | | | - | 326,386 | - | 326,386 | |
| Grand Total Long-Term Debt | | | \$ 328,363 | \$ 7,931,763 | \$ 326,386 | \$ (220,758) | \$ 8,037,391 | \$ 222,762 |

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2015.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2015

H. DEBT SERVICE REQUIREMENTS – BONDS, NOTES, AND CAPITAL LEASES PAYABLE

Debt service requirements for bonds are as follows:

| Year Ended August 31, | General Obligations | | Total Requirements |
|--------------------------|---------------------|--------------|-----------------------|
| | Principal | Interest | |
| 2016 | \$ 210,000 | \$ 319,471 | \$ 529,471 |
| 2017 | 215,000 | 312,121 | 527,121 |
| 2018 | 225,000 | 304,471 | 529,471 |
| 2019 | 235,000 | 296,253 | 531,253 |
| 2020 | 240,000 | 287,359 | 527,359 |
| 2021-2025 | 1,420,000 | 1,277,131 | 2,697,131 |
| 2026-2030 | 1,785,000 | 933,331 | 2,718,331 |
| 2031-2035 | 2,225,000 | 493,059 | 2,718,059 |
| 20336-2037 | 1,040,000 | 47,250 | 1,087,250 |
| Totals | \$ 7,595,000 | \$ 4,270,446 | \$ 11,865,446 |

Debt service requirements for notes payable and capital leases are as follows:

| Year Ended August 31, | | | Total Requirements |
|--------------------------|-----------|----------|-----------------------|
| | Principal | Interest | |
| 2016 | \$ 12,762 | \$ 1,273 | \$ 14,035 |
| 2017 | 13,249 | 786 | 14,035 |
| 2018 | 13,756 | 281 | 14,037 |
| | \$ 39,767 | \$ 2,340 | \$ 42,107 |

I. DEFINED BENEFIT PENSION PLAN

Plan Description

Valley Mills 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). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2015

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.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

| <u>Net Pension Liability</u> | <u>Total</u> |
|---|--------------------------|
| Total Pension Liability | \$ 159,496,075,886 |
| Less: Plan Fiduciary Net Position | (132,779,243,085) |
| Net Pension Liability | <u>\$ 26,716,832,801</u> |
| Net Position as a Percentage of Total Pension Liability | 83.25% |

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 formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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’ 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 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2015

| <u>Contribution Rates</u> | <u>2014</u> | <u>2015</u> |
|--|-------------|-------------|
| Member | 6.4% | 6.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |
| <u>District Contribution Information</u> | | |
| Employer Contribution | \$ 20,266 | \$ 85,218 |
| Member Contributions | 212,751 | 228,381 |
| State On-Behalf Contributions | 226,048 | 212,217 |

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).

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 that 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, a privately sponsored source, from non-educational and general, or actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement local funds.

In addition to the employer contributions listed above, 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.

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|------------------|
| Valuation Date | August 31, 2014 |
| Actuarial Cost Method | Individual Entry |
| Age Normal Amortization Method of Payroll, Open | Level Percentage |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method Value | 5 Year Market |
| Discount Rate | 8.00% |
| Long-Term Expected Investment Rate of Return* | 8.00% |
| Salary Increases* | 4.25% to 7.25% |
| Weighted-Average at Valuation Date | 5.55% |
| Payroll Growth Rate | 3.5% |

**Includes Inflation at 3%*

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

The mortality rates for health lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan 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 pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of August 31, 2014 are summarized below:

| Asset Class | Target Allocation | Real Return Geometric Basis | Long-Term Expected Portfolio Real Rate of Return* |
|-------------------------------|-------------------|-----------------------------|---|
| Global Equity | | | |
| U.S. | 18% | 7.0% | 1.4% |
| Non-U.S. Developed | 13% | 7.3% | 1.1% |
| Emerging Markets | 9% | 8.1% | 0.9% |
| Directional Hedge Funds | 4% | 5.4% | 0.2% |
| Private Equity | 13% | 9.2% | 1.4% |
| Stable Value | | | |
| U.S. Treasuries | 11% | 2.9% | 0.3% |
| Absolute Return | 0% | 4.0% | 0.0% |
| Stable Value Hedge Funds | 4% | 5.2% | 0.2% |
| Cash | 1% | 2.0% | 0.0% |
| Real Return | | | |
| Global Inflation Linked Bonds | 3% | 3.1% | 0.0% |
| Real Assets | 16% | 7.3% | 1.5% |
| Energy and Natural Resources | 3% | 8.8% | 0.3% |
| Commodities | 0% | 3.4% | 0.0% |
| Risk Parity | | | |
| Risk Parity | 5% | 8.9% | 0.4% |
| Alpha | | | 1.0% |
| Total | <u>100%</u> | | <u>8.7%</u> |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2015

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less or 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

| | 1% Decrease in Discount Rate (7.0%) | Discount Rate 8.0% | 1% Increase in Discount Rate (9.0%) |
|---|--|--------------------|--|
| District's Proportionate Share of the Net Pension Liability: | \$ 583,233 | \$ 326,386 | \$ 134,313 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2015, Valley Mills Independent School District reported a liability of \$326,386 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Valley Mills Independent School District. The amount recognized by Valley Mills Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Valley Mills Independent School District were as follows:

| | |
|--|----------------------------|
| District's Proportionate Share of the Collective Net Pension Liability | \$ 326,386 |
| State's Proportionate Share that is Associated with the District | <u>2,081,080</u> |
| Total | <u><u>\$ 2,407,466</u></u> |

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion 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, 2013 through August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .0012219%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 9/1/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2015

For the year ended August 31, 2015, Valley Mills Independent School District recognized pension expense of \$30,168 and revenue of \$212,217 for support provided by the State.

At August 31, 2015, Valley Mills Independent School 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 Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 5,048 | \$ - |
| Changes in Actuarial Assumptions | 21,215 | - |
| Difference Between Projected and Actual Investment Earnings | - | 99,757 |
| Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions | - | 86 |
| Contributions Paid to TRS Subsequent to the Measurement Date | 85,218 | - |
| Total | \$ 111,481 | \$ 99,843 |

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 8/31: | Pension Expense Amount |
|------------------|---------------------------|
| 2016 | \$ (20,523) |
| 2017 | (20,523) |
| 2018 | (20,523) |
| 2019 | 4,416 |
| Thereafter | 4,096 |

J. EMPLOYEE HEALTH CARE COVERAGE

For the year ended August 31, 2015, employees of the District were covered by a state-wide plan, TRS Active Care. The District paid premiums of \$150 per month per employee to the Plan with the State providing an additional \$75. Employees, at their option may authorize payroll withholdings to pay premiums for dependent coverage. The Teacher Retirement System of Texas (TRS) manages TRS Active Care. The Plan is administered by Blue Cross and Blue Shield of Texas while Medco Health was assigned the prescription drug plan.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2015

K. RETIREE HEALTH CARE PLANS

1. TRS-Care

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of the public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2015, 2014, and 2013.

2. Medicare Part-D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part-D. One of the provisions of Medicare Part-D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants.

A summary of the subsidy payments received by TRS-Care on behalf of the District for the last three fiscal years is as follows:

| Fiscal Year | Medicare Part-D State On-Behalf Payments |
|----------------|--|
| 2015 | \$ 13,959 |
| 2014 | 8,755 |
| 2013 | 8,653 |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

L. UNEARNED REVENUE

Unearned revenue at August 31, 2015 consisted of the following amounts:

| Fund | Federal Grants | Total |
|------------------------------|-------------------|-----------------|
| Non-Major Governmental Funds | \$ 3,257 | \$ 3,257 |
| Total | <u>\$ 3,257</u> | <u>\$ 3,257</u> |

M. DUE FROM STATE AGENCIES

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 federal and state governments as of August 31, 2015, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

| Fund | State Entitlements | Federal Grants | Other Governments | Total |
|------------------------------|-----------------------|-------------------|----------------------|-------------------|
| General Fund | \$ 227,649 | \$ - | \$ 51 | \$ 227,700 |
| Non-Major Governmental Funds | 38,053 | 22,791 | - | 60,844 |
| Total | <u>\$ 265,702</u> | <u>\$ 22,791</u> | <u>\$ 51</u> | <u>\$ 288,544</u> |

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

| Type | General Fund | Debt Service Fund | Non-Major Governmental Funds | Proprietary Funds | Trust Funds | Total |
|-----------------------------|---------------------|-------------------------|------------------------------------|----------------------|-----------------|---------------------|
| Property Taxes | \$ 2,127,544 | \$ 558,930 | \$ - | \$ - | \$ - | \$ 2,686,474 |
| Tuition and Fees | 7,200 | - | - | - | - | 7,200 |
| Investment Income | 3,033 | 144 | 52 | - | 145 | 3,374 |
| Food Sales | - | - | 89,945 | - | - | 89,945 |
| Athletics | 19,121 | - | - | - | - | 19,121 |
| Enterprising Revenues | - | - | - | 10,598 | - | 10,598 |
| Miscellaneous Local Revenue | 105,621 | - | - | - | 3,913 | 109,534 |
| Total | <u>\$ 2,262,519</u> | <u>\$ 559,074</u> | <u>\$ 89,997</u> | <u>\$ 10,598</u> | <u>\$ 4,058</u> | <u>\$ 2,926,246</u> |

O. LITIGATION

As of year end, there was either no litigation pending against the District or no litigation meeting the requirements of disclosure.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

P. SUBSEQUENT EVENTS

After year end, during October 2015 the District issued \$6.56 million in Unlimited Tax Refunding Bonds, Series 2015. The proceeds from Series 2015 refunding bonds including the premium received will be used to refund Unlimited Tax School Building Bonds, Series 2007.

Q. COMMITMENTS AND CONTINGENCIES

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

R. PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume its proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is (\$369,798). The restated beginning net position is \$4,852,027.

REQUIRED SUPPLEMENTARY INFORMATION

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2015

| | 2015 |
|---|--------------|
| District's Proportion of the Net Pension Liability | 0.000012219 |
| District's Proportionate Share of the Net Pension Liability | \$ 326,386 |
| State's Proportionate Share of the Net Pension Liability Associated with the District | 2,081,080 |
| Total | \$ 2,407,466 |
| | |
| District's Covered-Employee Payroll | \$ 3,408,668 |
| District's Proportionate Share of the Net Pension Liability as a percentage of its covered-employee payroll | 9.6% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 83.25% |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS –
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2015

| | <u>2015</u> |
|---|-----------------|
| Contractually Required Contribution | \$ 85,218 |
| Contribution in Relation to the Contractually Required Contribution | <u>(85,218)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| District's Covered-Employee Payroll | \$ 3,408,668 |
| Contributions as a Percentage of Covered-Employee Payroll | 2.5% |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015

Changes to 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 of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

COMBINING SCHEDULES

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | 211 ESEA, Title I, Part A | 240 National Breakfast and Lunch Program | 255 ESEA, Title II, Part A | 265 Title IV, Part B | 270 ESEA, Title VI, Part B |
|--|---------------------------------|--|----------------------------------|----------------------------|----------------------------------|
| ASSETS | | | | | |
| 1110 Cash and Cash Equivalents | \$ 3,618 | \$ 473 | \$ 1,094 | \$ - | \$ - |
| 1240 Due from Other Governments | - | 9,616 | - | 13,175 | - |
| 1000A Total Assets | <u>\$ 3,618</u> | <u>\$ 10,089</u> | <u>\$ 1,094</u> | <u>\$ 13,175</u> | <u>\$ -</u> |
| LIABILITIES | | | | | |
| 2110 Accounts Payable | \$ - | \$ 5,699 | \$ - | \$ - | \$ - |
| 2160 Accrued Wages Payable | 3,332 | 4,307 | 996 | - | - |
| 2170 Due to Other Funds | - | - | - | 13,175 | - |
| 2200 Accrued Expenditures | 286 | 83 | 98 | - | - |
| 2300 Unearned Revenues | - | - | - | - | - |
| 2000 Total Liabilities | <u>3,618</u> | <u>10,089</u> | <u>1,094</u> | <u>13,175</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Assigned for: | | | | | |
| 3550 Construction | - | - | - | - | - |
| 3000 Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 Total Liabilities and Fund Balances | <u>\$ 3,618</u> | <u>\$ 10,089</u> | <u>\$ 1,094</u> | <u>\$ 13,175</u> | <u>\$ -</u> |

| 289 | 699 | Total Non-Major Governmental Funds |
|--|-------------------------|--|
| Federally Funded Spec. Rev. Fund | Capital Project Fund | |
| \$ 3,257 | \$ 27,754 | \$ 36,196 |
| - | - | 22,791 |
| <u>\$ 3,257</u> | <u>\$ 27,754</u> | <u>\$ 58,987</u> |
| \$ - | \$ 2,702 | \$ 8,401 |
| - | - | 8,635 |
| - | - | 13,175 |
| - | - | 467 |
| 3,257 | - | 3,257 |
| <u>3,257</u> | <u>2,702</u> | <u>33,935</u> |
| - | 25,052 | 25,052 |
| - | 25,052 | 25,052 |
| <u>\$ 3,257</u> | <u>\$ 27,754</u> | <u>\$ 58,987</u> |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | 211 ESEA, Title I, Part A | 240 Breakfast and Lunch Program | 255 ESEA, Title II, Part A | 265 Title IV, Part B | 270 ESEA, Title VI, Part B |
|---|---------------------------------|--|----------------------------------|----------------------------|----------------------------------|
| REVENUES: | | | | | |
| 5700 Local and Intermediate Sources | \$ - | \$ 89,945 | \$ - | \$ - | \$ - |
| 5800 State Program Revenues | - | 13,352 | - | - | - |
| 5900 Federal Program Revenues | 92,516 | 249,009 | 21,765 | 78,126 | 38,102 |
| 5020 Total Revenues | <u>92,516</u> | <u>352,306</u> | <u>21,765</u> | <u>78,126</u> | <u>38,102</u> |
| EXPENDITURES: | | | | | |
| 0011 Instruction | 92,516 | - | 21,765 | 78,126 | 38,102 |
| 0035 Food Services | - | 392,153 | - | - | - |
| 0081 Facilities Acquisition and Construction | - | - | - | - | - |
| 6030 Total Expenditures | <u>92,516</u> | <u>392,153</u> | <u>21,765</u> | <u>78,126</u> | <u>38,102</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (39,847) | - | - | - |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 Transfers In | - | 39,847 | - | - | - |
| 7080 Total Other Financing Sources (Uses) | <u>-</u> | <u>39,847</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 1200 Net Change in Fund Balance | - | - | - | - | - |
| 0100 Fund Balance - Beginning | - | - | - | - | - |
| 3000 Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| 289 Federally Funded Spec. Rev. Fund | 699 Capital Project Fund | Total Non- Major Governmental Funds |
|---|--------------------------------|--|
| \$ - | \$ 52 | \$ 89,997 |
| - | - | 13,352 |
| - | - | 479,518 |
| - | 52 | 582,867 |
| - | - | 230,509 |
| - | - | 392,153 |
| - | 318,846 | 318,846 |
| - | 318,846 | 941,508 |
| - | (318,794) | (358,641) |
| - | - | 39,847 |
| - | - | 39,847 |
| - | (318,794) | (318,794) |
| - | 343,846 | 343,846 |
| \$ - | \$ 25,052 | \$ 25,052 |

TEA REQUIRED SCHEDULES

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED AUGUST 31, 2015

| Last 10 Years Ended August 31, | 1 | | 2 | 3 |
|-----------------------------------|---------------------------|--------------|---------|--|
| | Tax Rates | | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | | |
| 2006 | and prior years | | Various | Various |
| 2007 | 1.35000 | 0.16000 | \$ | 150,595,828 |
| 2008 | 1.04000 | 0.27400 | | 175,842,253 |
| 2009 | 1.04000 | 0.27400 | | 208,748,264 |
| 2010 | 1.04000 | 0.27400 | | 215,126,542 |
| 2011 | 1.04000 | 0.27400 | | 211,419,830 |
| 2012 | 1.04000 | 0.27400 | | 216,893,983 |
| 2013 | 1.04000 | 0.27400 | | 191,442,542 |
| 2014 | 1.04000 | 0.27400 | | 197,984,997 |
| 2015 | (School year under audit) | 1.04000 | 0.27400 | 198,575,652 |
| TOTALS | | | | |

| 10 | 20 | 31 | 32 | 40 | 50 |
|--------------------------------|---------------------------------|----------------------------|-----------------------------|---------------------------------|------------------------------|
| Beginning Balance 9/1/14 | Current Year's Total Levy | Maintenance Collections | Debt Service Collections | Entire Year's Adjustments | Ending Balance 8/31/15 |
| \$ 9,492 | \$ - | \$ 259 | \$ 31 | \$ (1,269) | \$ 7,933 |
| 3,984 | - | 97 | 11 | (2) | 3,874 |
| 2,962 | - | 78 | 21 | (18) | 2,845 |
| 4,396 | - | 666 | 175 | (129) | 3,425 |
| 5,859 | - | 1,103 | 291 | (176) | 4,289 |
| 11,014 | - | 3,016 | 795 | (783) | 6,420 |
| 14,146 | - | 3,749 | 988 | (2,098) | 7,311 |
| 39,856 | - | 14,108 | 3,717 | (4,167) | 17,864 |
| 103,097 | - | 57,582 | 15,171 | 2,232 | 32,576 |
| - | 2,609,285 | 1,999,755 | 526,858 | (9,567) | 73,105 |
| <u>\$ 194,806</u> | <u>\$ 2,609,285</u> | <u>\$ 2,080,413</u> | <u>\$ 548,058</u> | <u>\$ (15,978)</u> | <u>\$ 159,642</u> |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | | Budgeted Amounts | | Actual | Variance With Final Budget |
|--|--|------------------|-----------------|-------------------------|-------------------------------|
| | | Original | Final | Amounts (GAAP BASIS) | |
| | | REVENUES: | | | |
| 5700 | Local & Intermediate Sources | \$ 105,000 | \$ 105,000 | \$ 89,945 | \$ (15,055) |
| 5800 | State Program Revenues | 2,100 | 12,951 | 13,352 | 401 |
| 5900 | Federal Program Revenues | 229,997 | 229,997 | 249,009 | 19,012 |
| 5020 | Total Revenues | <u>337,097</u> | <u>347,948</u> | <u>352,306</u> | <u>4,358</u> |
| EXPENDITURES: | | | | | |
| 0035 | Food Services | 383,212 | 394,063 | 392,153 | 1,910 |
| 6030 | Total Expenditures | <u>383,212</u> | <u>394,063</u> | <u>392,153</u> | <u>1,910</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(46,115)</u> | <u>(46,115)</u> | <u>(39,847)</u> | <u>6,268</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 | Transfers In | 46,115 | 46,115 | 39,847 | (6,268) |
| 7080 | Total Other Finance Sources (Uses) | <u>46,115</u> | <u>46,115</u> | <u>39,847</u> | <u>(6,268)</u> |
| 1200 | Net Change in Fund Balances | - | - | - | - |
| 0100 | Fund Balance-September 1 (Beginning) | - | - | - | - |
| 3000 | Fund Balance-August 31 (Ending) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | Budgeted Amounts | | Actual | Variance With Final Budget | |
|--------------------------|--------------------------------------|-------------------|-------------------------|-------------------------------|------------------|
| | Original | Final | Amounts (GAAP BASIS) | | |
| REVENUES: | | | | | |
| 5700 | Local & Intermediate Sources | \$ 552,281 | \$ 552,281 | \$ 559,074 | \$ 6,793 |
| 5800 | State Program Revenues | 3,488 | 3,488 | 2,680 | (808) |
| 5020 | Total Revenues | <u>555,769</u> | <u>555,769</u> | <u>561,754</u> | <u>5,985</u> |
| EXPENDITURES: | | | | | |
| Debt Service: | | | | | |
| 0071 | Principal on Long Term Debt | 205,385 | 205,000 | 205,000 | - |
| 0072 | Interest on Long Term Debt | 327,236 | 326,622 | 326,621 | 1 |
| 0073 | Other Fees | 23,148 | 24,147 | 1,233 | 22,914 |
| 6030 | Total Expenditures | <u>555,769</u> | <u>555,769</u> | <u>532,854</u> | <u>22,915</u> |
| 1200 | Net Change in Fund Balances | - | - | 28,900 | 28,900 |
| 0100 | Fund Balance-September 1 (Beginning) | 242,409 | 242,409 | 242,409 | - |
| 3000 | Fund Balance-August 31 (Ending) | <u>\$ 242,409</u> | <u>\$ 242,409</u> | <u>\$ 271,309</u> | <u>\$ 28,900</u> |

FEDERAL AWARDS SECTION



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

To the Board of Trustees of
Valley Mills Independent School District

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, the business-type activities, each major fund, and the aggregate remaining fund information of Valley Mills Independent School District, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Valley Mills Independent School District's basic financial statements, and have issued our report thereon dated November 20, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valley Mills 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 Valley Mills Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Valley Mills 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 Valley Mills Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light gray rectangular background.

Singleton, Clark & Company, P.C.
Cedar Park, Texas

November 20, 2015

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under the guidelines of OMB Circular A-133, a Single Audit was not required due to expenditures of federal awards being below \$500,000.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with Government Auditing Standards for the year ended August 31, 2015.

Prior year financial statement findings as required to be restated with current status:

2014-001 Budgetary Overage

Criteria:

Budgets are approved by the board and are the approved amounts that the administration may spend without asking to amend the amount.

Condition Found:

Instances in which the expenses exceeded the budget approval were identified.

Cause:

A new loan was issued to purchase a new bus. No budget was made for this transaction.

Effect:

The budget was not amended to reflect the bus loan and purchase.

Recommendation:

We recommend booking the transaction and budget amendments when new loans are issued.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Current Status:

The District was in compliance with this budgetary requirement during the year ended August 31, 2015.

Contact Person:

Brenda Byrom, Valley Mills ISD Business Manager

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with Section 510(c) of OMB Circular A-133:

Not applicable.

VALLEY MILLS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 FOR THE YEAR ENDED AUGUST 31, 2015

| Data Control Codes | | 1 Responses |
|--------------------------|---|----------------|
| 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 at fiscal year end? | No |
| SF4 | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole? | Yes |
| 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 make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies as applicable? | Yes |
| SF8 | Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship? | Yes |
| SF10 | Total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end. | \$ - |
| SF11 | Net Pension Assets (1920) at fiscal year-end | \$ - |
| SF12 | Net Pension Liabilities (2540) at fiscal year-end | \$ 326,386 |
| SF13 | Pension Expense (6147) at fiscal year-end | \$ 30,168 |