



Valley Mills Independent School District

## Annual Financial Management Report

2016-2017: Based on 2015-2016 Data



**VALLEY MILLS INDEPENDENT SCHOOL DISTRICT**  
**2016 Annual Financial Management Report**  
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October 26, 2017

To the Board of Trustees and Citizens of Valley Mills Independent School District:

Within these pages is Valley Mills ISD's annual Schools FIRST (Financial Integrity Rating System of Texas) rating and annual financial management report. The District received a rating of "Above Standard" for 2016-2017.

***Background on the Financial Accountability Rating System***

The 77<sup>th</sup> Legislature passed SB 218 in 2001 to authorize the implementation of a financial rating system for Texas public school districts. The bill directed the Commissioner of Education to create a financial accountability rating system with input from the State Comptroller's Office. Schools FIRST is the name given to the rating system designed by the Commissioner. This is the fourteenth year that ratings have been assigned under the Schools FIRST system.

As detailed in the Texas Administrative Code (TAC) Chapter 109, Subchapter AA, the purpose of Schools FIRST is to ensure that school districts " will be held accountable for the quality of their financial resources. The system is designed to encourage Texas public schools to manage their financial resources better in order to provide the maximum allocation possible for direct instructional purposes. The system will also disclose the quality of local management and decision-making processes that impact the allocation of financial resources in Texas public schools."

***Financial Accountability Ratings***

Under the Schools FIRST system, the Texas Education Agency (TEA) assigns each school district an accountability rating. The ratings are based on a district's overall performance on certain financial measurements, ratios, and other indicators established annually by the Commissioner of Education.

TEA made changes in August 2015, with a planned phase period over three years. The rating for this year is based on fifteen indicators, with a rating system as follows:

<b><i>Schools FIRST Ratings</i></b>	
A = Superior	Score range of 90-100 (Sum of indicators 6-15)
B = Above Standard	Score range of 80-89
C = Meets Standard	Score range of 60-79
F = Substandard Achievement	Score of <60

Districts that receive the "*Substandard Achievement*" rating under Schools FIRST must file a corrective action plan with the TEA.

The Commissioner of Education will evaluate the rating system annually and may modify the system from year to year in order to improve its effectiveness. Any changes made to the evaluation criteria are communicated to school districts no later than May of each calendar year and apply to the ratings issued for the following fiscal year.

### **School District Reporting Requirements**

Reporting the Schools FIRST rating to the public is a key component of the Schools FIRST system. Each school district is required to prepare and make available an annual financial management report that presents the district's performance on the current Schools FIRST indicators and a comparison with the previous year's performance. A public hearing must be held on the annual financial management report to afford interested parties the opportunity to comment on the report. The public hearing must be held within two months after receipt of the final financial accountability rating.

### **2017 Schools FIRST Rating**

The 2017 Schools FIRST ratings were based on an analysis of staff, student, and financial data submitted to the Texas Education Agency for the 2015-2016 school year and fiscal year.

**The Valley Mills Independent School District received the Schools FIRST rating of “Above Standard” for 2017.** A rating of “Above Standard” is the second highest Schools FIRST rating awarded by the State. The rating worksheet detailing the District’s performance on each of the indicators can be reviewed at Exhibit A-1. Explanations of the indicators can be found in Exhibit A-2.

This report also includes the following disclosures, as required by 19 TAC Chapter 109, Subchapter AA:

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Exhibit B-1	Superintendent’s Current Employment Contract
Exhibit B-2	Summary Schedule of Total Reimbursements Received by Superintendent and Each Board Member
Exhibit B-3	Compensation and/or Fees Received by the Superintendent from Outside Entities for Professional Consulting and/or Other Personal Services
Exhibit B-4	Summary Schedule of Total Amount by Superintendent and Board Members (and First Degree Relatives) of Gifts that Had an Economic Value Exceeding \$250 in the Aggregate
Exhibit B-5	Summary Schedule of Total Dollar Amount by Board Member of Business Transactions with the School District

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***Contacting the District's Financial Management***

This annual financial management report is presented in accordance with the provisions of Texas Education Code Section 39.0822 and 19 TAC Chapter 109, Subchapter AA. If you have questions about the report or need additional financial information about the District, please contact the Superintendent's Office, One Eagle Way, Valley Mills, Texas 76689, phone: 254/932-5210. Additional financial information about the District, including the official budget and comprehensive annual financial report, can be found at the District's website at [www.vmisd.net](http://www.vmisd.net).



Alan R. Oakley  
Interim  
Superintendent

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## Financial Integrity Rating System of Texas

**2016-2017 Ratings based on School Year 2015-2016 Data - District Status Detail**

Name: VALLEY MILLS ISD(018904)

Publication Level 1: 8/8/2017 2:29:29 PM

Status: Passed

Publication Level 2: 8/8/2017 2:29:29 PM

Rating: B = Above Standard

Last Updated: 8/8/2017 2:29:29 PM

District Score: 88

Passing Score: 60

#	Indicator Description	Updated	Score
1	Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending on the school district's fiscal year end date of June 30 or August 31, respectively?	3/28/2017 11:06:52 AM	Yes
2	Review the AFR for an unmodified opinion and material weaknesses. The school district must pass 2.A to pass this indicator. The school district fails indicator number 2 if it responds "No" to indicator 2.A. or to both indicators 2.A and 2.B.		
2.A	Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)	3/28/2017 11:06:52 AM	Yes
2.B	Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness.)	3/28/2017 11:06:52 AM	Yes
3	Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (= person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)	3/28/2017 11:06:52 AM	Yes
4	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?	3/28/2017 11:06:53 AM	Yes
5	Was the total unrestricted net position balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Position greater than zero? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)	3/28/2017 11:06:53 AM	Yes

			Multiplier Sum
6	Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)? (See ranges below.)	3/28/2017 11:06:53 AM	8
7	Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)	3/28/2017 11:06:54 AM	10
8	Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator) (See ranges below.)	3/28/2017 11:06:54 AM	10
9	Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days?	3/28/2017 11:06:54 AM	10
10	Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)	5/18/2017 12:16:52 PM	0
11	Was the school district's administrative cost ratio equal to or less than the threshold ratio? (See ranges below.)	3/28/2017 11:06:55 AM	10
12	Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the school district will automatically pass this indicator.)	6/21/2017 8:12:02 PM	10
13	Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?	3/28/2017 11:06:55 AM	10
14	Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material noncompliance.)	3/28/2017 11:06:56 AM	10
15	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?	3/28/2017 11:06:56 AM	10
			88 Weighted Sum
			1 Multiplier Sum
			88 Score

## Determination Of Rating

A. Did the district answer 'No' to Indicators 1, 3, 4, 5, or 2.A? If so, the school district's rating is **F for Substandard Achievement** regardless of points earned.

B. Determine the rating by the applicable number of points. (Indicators 6-15)

A = Superior	90-100
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B = Above Standard	80-89
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C = Meets Standard	60-79
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F = Substandard Achievement	<60
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No Rating = A school district receiving territory that annexes with a school district ordered by the

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**SCHOOLS FIRST**  
**EXPLANATIONS OF INDICATORS**

- 1. Was the complete annual financial report (AFR) and data submitted to the TEA within 30 days of the November 27<sup>th</sup> or January 28<sup>th</sup> deadline depending on the school district's fiscal year end date of June 30<sup>th</sup> or August 31<sup>st</sup>, respectively?**

This indicator will be considered PASSED if the audit report was on time or filed within 30 days of the deadline.

- 2. Was there an unmodified opinion in the AFR on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there was an unmodified opinion.)**

This indicator will be considered PASSED if the district received an unmodified opinion in the AFR.

- 2.B Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness)**

This indicator will be considered PASSED if the external auditor reported no material weaknesses in the audit report.

- 3. Was the school district in compliance with the payment terms of all debt agreements at fiscal year end?**

This indicator will be considered PASSED if there were no disclosures in the annual financial report and/or other sources of information concerning default on bonded indebtedness obligations.

- 4. Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service(IRS), and other government agencies?**

This indicator will be considered PASSED if the district made timely payments to the TRS, TWC, IRS, and other government agencies.

- 5. Was the total unrestricted net position balance (Net of the accretion of interest for capital appreciation bonds) in the governmental activities column in the Statement of Net Position greater than zero? (If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator.)**

This indicator will be considered PASSED if EITHER of the following CONDITIONS is TRUE:

1. The District's Five-Year Percent Change in Students was 10% or MORE.  
OR
2. The sum of Total Unrestricted Net Asset Balance in the governmental activities column in the Statement of Net Assets, Accretion of Interest for Capital Appreciation Bonds, and Net Pension Liability, as applicable, was GREATER THAN ZERO.
6. **Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)?**

10	8	6	4	2	0
>=90	<90>=75	<74>=60	<60>=45	<45>=30	<30

- 7. Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt? (See ranges below.)**

10	8	6	4	2	0
>=3.00	<3.00 >=2.50	<2.50 >=2.00	<2.00 >=1.50	<1.50 >=1.00	<1.00

- 8. Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency?**

If the school district's change of students in membership over 5 years was 10 percent or more, then the school district passes this indicator. (See ranges below.)

10	8	6	4	2	0
<=0.60	>0.60 =<0.70	>0.70 =<0.80	>0.80 =<0.90	>0.90 =<1.00	>1.00

**SCHOOLS FIRST**  
**EXPLANATIONS OF INDICATORS**

**Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand greater than or equal to 60 days?**

10	0
100>=0%	<0%

**10. Was the debt service coverage ratio sufficient to meet the required debt service? (See ranges below.)**

10	8	6	4	2	0
>=1.20	<1.20	<1.15	<1.10	<1.05	<1.0
>=1.15	>=1.10	>=1.05	>=1.00	0	

**11. Was the school district's administrative cost ratio equal to or less than the threshold ratio?**

The Texas Education Agency provides guidance on the percentage of the budget that districts can spend on administration. Did the district stay under the cap for districts of its size? The administrative cost ratio for districts with 500 to 999 students in average daily attendance is .1311. Valley Mills is 0.1114.

**12. Did the school district not have a 15 percent decline in the students to staff ratio over 3 years (total enrollment to total staff)?**

If the student enrollment did not decrease, the school district will automatically pass this indicator.

**13. Did the comparison of Public Education Information Management System (PEIMS) data to like information in the school district's AFR result in a total variance of less than 3 percent of all expenditures by function?**

This indicator measures the quality of data reported to PEIMS and in the district's financial report to make certain that the data reported in each case matches. If the PEIMS data differs from the Annual Financial Report by more than 3% (per fund type), the district fails this indicator.

**14. Did the external independent auditor report that the AFR was free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?**

A clean audit of the district's financial report would state that the district has no material weaknesses in internal controls. Internal control weaknesses create a risk that the district may not be able to properly account for its use of public funds, and should be immediately addressed.

**15. 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?**

THE STATE OF TEXAS

COUNTY OF MCLENNAN

**INTERIM SUPERINTENDENT EMPLOYMENT AGREEMENT**

The BOARD OF TRUSTEES ("Board" or "District") of the VALLEY MILLS INDEPENDENT SCHOOL DISTRICT, employs the undersigned Interim Superintendent, Alan R. Oakley ("Oakley"), and Oakley accepts employment on the following terms and conditions:

**TERMS**

1. **Term.** Oakley shall be employed beginning on **July 10, 2017** and ending upon completion of duties as assigned. He shall serve as Interim Superintendent on a full-time basis.

**EMPLOMENT**

2. **Duties.** Oakley is the chief executive of the District and shall faithfully perform the duties of the Superintendent of Schools for the District as prescribed in the job description and as may be lawfully assigned by the Board and shall comply with all lawful Board directives, state and federal law, district policy, rules and regulations as they exist or may hereafter be amended. He shall perform the duties of the Superintendent of Schools for the District with reasonable care, diligence, skill and expertise. All duties assigned to Oakley by the Board shall be appropriate to and consistent with the professional role and responsibility of a superintendent as described under state law and District policy.
3. **Professional Certification.** Oakley shall at all times during the term of the Agreement hold and maintain a valid certificate required of a superintendent by the State of Texas and issued by the State Board of Educator Certification and all other certificates required by law.
4. **Board Meetings.** Unless otherwise prohibited by law, Oakley shall attend all meetings of the Board. He shall participate, at the request of the Board, in closed meetings of the Board.
5. **Criticisms, Complaints, and Suggestions.** The Board, individually and collectively, shall refer all substantive criticisms, complaints, and suggestions called to the Board's

attention to Oakley for study and appropriate action. He shall investigate such matters and inform the Board of the results of such action.

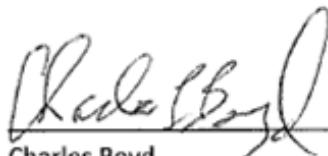
6. **Legal Proceedings.** The District agrees to provide Oakley a legal defense to any and all demands, claims, suits, actions, and legal proceedings that arise or are brought against the Interim Superintendent for conduct within the scope of his employment when the Board determines that his actions were taken in the good faith performance of his duties. The District's obligation to provide a legal defense to Employee under this paragraph survives the termination of this Agreement.

#### **COMPENSATION**

7. **Compensation.** The District shall pay Oakley total compensation of \$7,500 per month for the duration of this Agreement.
8. **Expenses.** The District shall pay or reimburse Oakley for reasonable expenses incurred in the continuing performance of his/her duties under this Agreement. The District agrees to pay the actual and incidental costs incurred by Oakley for travel. Such actual or incidental costs may include, but are not limited to, hotels and accommodations, meals, rental car, and other expenses incurred in performance of the business of the District. The District agrees to reimburse Oakley the greater of \$.50 per mile or the currently approved state mileage rate for the use of his personal vehicle in the performance of official duties.

#### **TERMINATION OF EMPLOYMENT AGREEMENT**

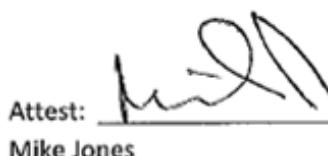
9. **Termination.** This agreement may be terminated by Oakley or the Board for the convenience of either party by giving the other 14 days written notice. The parties may mutually agree to a shorter notice period.



Charles Boyd  
President, Board of Trustees



Name  
Interim Superintendent



Attest:  
Mike Jones  
Secretary, Board of Trustees

Executed this 20 day of September, 2017.

**Exhibit B-2**  
**Page 1 of 2**

**VALLEY MILLS INDEPENDENT SCHOOL DISTRICT**  
**Summary Schedule of Total Reimbursements Received by Superintendent and Each Board Member For**  
**the Twelve-Month Period Ended August 31, 2016**

Description of Reimbursement	Judi Whitis Superintendent	Charles Boyd Board President	Alice West Board Vice President	Mike Jones Board Secretary	Michael Sexton Board Member
Meals	124.26	0	0	269.08	240.81
Lodging	1,492.20	0	0	473.32	473.32
Transportation	293.54	0	0	100.00	0
Other	1,090.00	100.00	0	375.00	375.00
Totals	\$3,000.00	\$100.00	\$0	\$1,217.40	\$1,089.13

Description of Reimbursement	Jim Blackford Board Member	Tammie Mann-Chrisman Board Member	Bret Hodges Board Member	Totals
Meals	240.81	212.55	212.55	1,300.06
Lodging	473.32	473.32	473.33	3,858.81
Transportation	0	0	0	393.54
Other	310.00	425.00	425.00	3,100.00
Totals	\$1,024.13	\$1,110.87	\$1,110.88	\$8,652.41

**Note** - The schedule above reflects total reimbursements paid to and expenditures paid on behalf of the Superintendent and each Board member. The expenditures were incurred for travel and other functions directly related to official school district business.

**VALLEY MILLS INDEPENDENT SCHOOL DISTRICT**  
**Compensation and/or Fees Received by the Superintendent from Outside**  
**Entities for Professional Consulting and/or Other Personal Services**  
**For the Twelve-Month Period Ended August 31, 2016**

Judi Whitis Superintendent	Not Applicable	\$0
<b>Total</b>		\$0

**Note 1-** The preceding information was reported to the District by the Superintendent.

**VALLEY MILLS INDEPENDENT SCHOOL DISTRICT**  
**Summary Schedule of Total Amount by Superintendent and Board Members (and First Degree Relatives) of**  
**Gifts that had an Economic Value Exceeding \$250 in the Aggregate**  
**For the Twelve-Month Period Ended August 31, 2016**

	Judi Whitis Superintendent	Charles Boyd Board President	Alice West Board Vice President	Mike Jones Board Secretary
Total Value	\$0.00	\$0.00	\$0.00	\$0.00

	Michael Sexton Board Member	Jim Blackford Board Member	Tammie Mann-Chrisman Board Member	Bret Hodges Board Member
Total Value (Continued)	\$0.00	\$0.00	\$0.00	\$0.00

**Note** - The information presented above was reported to the District by the Superintendent and each individual Board member.

**VALLEY MILLS INDEPENDENT SCHOOL DISTRICT****Summary Schedule of Total Dollar Amount by Board Member of Business Transactions With School District For  
the Twelve-Month Period Ended August 31, 2016**

	Judi Whitis Superintendent	Charles Boyd Board President	Alice West Board Vice President	Mike Jones Board Secretary
<b>Total Amount</b>	\$0.00	\$0.00	\$0.00	\$4,000.00

	Michael Sexton Board Member	Jim Blackford Board Member	Tammie Mann-Chrisman Board Member	Bret Hodges Board Member
<b>Total Amount (Continued)</b>	\$0.00	\$0.00	\$0.00	\$0.00