

WALLER
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

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Waller Independent School District
Annual Financial Report
For The Year Ended August 31, 2018

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Introductory Section

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CERTIFICATE OF BOARD

Waller Independent School District
Name of School District

Waller
County

237-904
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, 2018, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

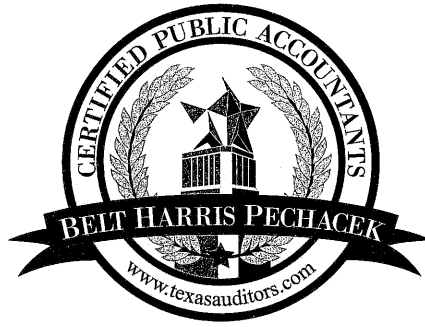
Signature of Board President

If the board of trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)

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Financial Section

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Independent Auditors' Report

To the Board of Trustees of
Waller 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 Waller Independent School District (the "District") as of and for the year ended August 31, 2018, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

In 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of the District's proportionate share of the net pension liability and OPEB liability, and schedules of District contributions, identified as Required Supplementary Information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 10, 2019

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Management's Discussion and Analysis

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WALLER INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2018

This discussion and analysis of Waller Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2018. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2018 was \$7,509,187.
- For the fiscal year ended August 31, 2018, the District's general fund reported a total fund balance of \$14,485,213, of which \$707,376 was nonspendable in the form of prepaid items and \$13,777,837 was unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$28,480,543.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements provide information about services provided to parties inside the District. The proprietary funds include the enterprise fund (the District's vending machines fund).
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the fiduciary resources belong. This fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets and liabilities and is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base, staffing patterns, enrollment, and attendance.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

WALLER INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2018

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* – These funds include the enterprise fund. The District's vending machine fund activity is reported in the enterprise fund.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$7,509,187 at August 31, 2018. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2018. Within *Table 2*, the prior year revenues and expenses have been updated to remove fund level on-behalf revenues and expenses (excluding Medicare Part D) for Teacher Retirement System (TRS) contributions for comparative purposes, as a result of current year recognition changes. This change has no impact on the change in net position. *Table 1* indicates the overall position of the District improved by \$8,707,552. Capital assets increased compared to the prior year due to the purchase of new vehicles, equipment, building projects, and renovations done throughout the District during the fiscal year. In addition, overall liabilities of the District decreased when compared to the prior fiscal year. Current liabilities were more at year end due to an increase in accounts payable and accrued wages payable. Long-term liabilities decreased as a net result of a decrease in long-term debt obligations from the payment and cash defeasance of outstanding debt and decreases in the District's net pension and other postemployment benefits (OPEB) liabilities. *Table 2* reflects the District reporting decreases in both revenues and expenses when compared to the prior fiscal year. The District received less revenue from operating grants and contributions due to a decrease in revenues reported for on-behalf payments as a direct result of the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*. Additionally, the District is reporting an overall decrease in expenses for the fiscal year resulting mainly from decreased expenses from instruction; curriculum and staff development; school leadership; guidance, counseling, and evaluation services; food services; co-curricular/extracurricular activities; and general administration related to the decrease in pension and OPEB liabilities in addition to the decrease in on-behalf contributions.

WALLER INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2018

Table 1
Net Position

Description	Governmental Activities		Total Change	Business-Type Activities		Total Change
	2018	2017	2018-2017	2018	2017	2018-2017
Current assets	\$ 34,329,936	\$ 43,539,688	\$ (9,209,752)	\$ 42,707	\$ 31,069	\$ 11,638
Capital assets	146,324,020	141,982,494	4,341,526	-	-	-
Total Assets	180,653,956	185,522,181	(4,868,225)	42,707	31,069	11,638
Deferred charges on refunding	3,892,002	4,310,132	(418,130)	-	-	-
Deferred outflows related to pensions	4,233,090	5,457,962	(1,224,872)	-	-	-
Deferred outflows related to OPEB	394,634	259,437	135,197	-	-	-
Total Deferred Outflows of Resources	8,519,726	10,027,531	(1,507,805)	-	-	-
Current liabilities	3,595,358	3,008,158	587,200	-	-	-
Long-term liabilities	166,906,624	193,024,938	(26,118,314)	-	-	-
Total Liabilities	170,501,982	196,033,096	(25,531,114)	-	-	-
Deferred inflows related to pensions	2,127,999	746,051	1,381,948	-	-	-
Deferred inflows related to OPEB	9,077,221	-	9,077,221	-	-	-
Total Deferred Inflows of Resources	11,205,220	746,051	10,459,169	-	-	-
Net Position:						
Net investment in capital assets	18,646,441	16,130,625	2,515,816	-	-	-
Restricted	10,731,313	9,248,494	1,482,819	-	-	-
Unrestricted	(21,911,274)	(26,608,553)	4,697,279	42,707	31,069	11,638
Total Net Position	\$ 7,466,480	\$ (1,229,434)	\$ 8,695,914	\$ 42,707	\$ 31,069	\$ 11,638

WALLER INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2018

Table 2

Changes in Net Position

	Governmental Activities		Total Change	Business-Type Activities		Total Change
	2018	2017	2018-2017	2018	2017	2018-2017
Revenues						
Program revenues:						
Charges for services	\$ 1,050,737	\$ 983,726	\$ 67,011	\$ 113,289	\$ 113,669	\$ (380)
Operating grants and contributions	(1,265,127)	10,870,759	(12,135,886)	1,391	1,478	(87)
General revenues:						
Property taxes	44,596,381	38,560,086	6,036,295	-	-	-
State foundation program	28,251,300	28,363,000	(111,700)	-	-	-
Investment earnings	425,485	332,743	92,742	-	-	-
Miscellaneous	241,401	72,962	168,439	-	-	-
Total Revenue	73,300,177	79,183,276	(5,883,099)	114,680	115,147	(467)
Expenses						
Instruction	32,595,213	38,770,023	(6,174,810)	-	-	-
Instructional resources and media services	460,695	640,596	(179,901)	-	-	-
Curriculum and staff development	492,358	1,350,834	(858,476)	-	-	-
Instructional leadership	1,765,602	1,866,680	(101,078)	-	-	-
School leadership	2,619,101	3,755,816	(1,136,715)	-	-	-
Guidance, counseling, and evaluation services	1,716,450	2,382,938	(666,488)	-	-	-
Health services	329,340	422,789	(93,449)	-	-	-
Student (pupil) transportation	3,542,548	3,770,594	(228,046)	-	-	-
Food services	2,826,236	3,825,359	(999,123)	-	-	-
Co-curricular/extracurricular activities	1,341,797	1,822,037	(480,240)	-	-	-
General administration	2,232,398	2,564,073	(331,675)	-	-	-
Plant maintenance and operations	7,245,561	6,852,049	393,512	-	-	-
Security and monitoring	553,529	465,830	87,699	-	-	-
Data processing services	1,483,403	1,768,569	(285,166)	-	-	-
Community services	68,954	91,436	(22,482)	-	-	-
Interest on long-term debt	4,802,974	5,003,326	(200,352)	-	-	-
Bond issuance costs and fees	24,975	47,595	(22,620)	-	-	-
Other intergovernmental charges	503,129	290,293	212,836	-	-	-
Vending	-	-	-	103,042	98,744	4,298
Total Expenses	64,604,263	75,690,837	(11,086,574)	103,042	98,744	4,298
Change in Net Position	8,695,914	3,492,439	5,203,475	11,638	16,403	(4,765)
Beginning net position	(1,229,434)	33,329,242	(34,558,676)	31,069	14,666	16,403
Prior period adjustment	-	(38,051,115)	38,051,115	-	-	-
Beginning net position, restated	(1,229,434)	(4,721,873)	3,492,439	31,069	14,666	16,403
Ending Net Position	\$ 7,466,480	\$ (1,229,434)	\$ 8,695,914	\$ 42,707	\$ 31,069	\$ 11,638

WALLER INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2018, the District's governmental funds reported a combined fund balance of \$28,480,543. This compares to a combined fund balance of \$38,350,599 at August 31, 2017. The fund balance in the general fund decreased due to a slight increase in overall revenue combined with a significant increase in expenditures. There were increases in expenditures in the functional areas of instruction, instructional leadership, and student transportation due to increased salaries and the addition of District personnel as compared to the prior year. The functional expenditure areas of facilities maintenance and operations and capital outlay had increased expenditures due to several large maintenance and construction projects, while other intergovernmental charges increased from an increase in the amount due to the appraisal districts. The debt service fund balance increased due to an increase in local revenues mainly from property taxes due to an increase in the assessed values of properties within the District, combined with a decrease in debt service obligation payments and fees.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2018, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were material changes between the original budget and the final amended budget due to the increase of expenditures across the budget in particular associated with capital outlay and additional construction projects. The general fund's actual revenues were less than budgeted revenues by \$2,943,689 due to the District receiving less state foundation program revenue than originally budgeted at the beginning of the fiscal year. In addition, the District's actual expenditures were less than budgeted expenditures by \$3,189,281 with the District spending significantly less than budgeted in instructional expenditures; curriculum and staff development; guidance, counseling, and evaluation services; cocurricular/extracurricular activities; and data processing services

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2018, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2018, the District had a total of \$194,184,701 invested in capital assets such as land, buildings, and District equipment. This total includes \$10,376,129 invested during the fiscal year ended August 31, 2018 with the major invested capital assets being:

- Construction and renovation projects
- Portable buildings
- Heating, ventilation, and air conditioning upgrades
- Land
- District equipment and furniture
- School bus and wrecker truck
- Maintenance equipment

More detailed information about the District's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At year end, the District had \$121,100,000 in general obligation bonds outstanding versus \$127,225,000 last year. The decrease is due to principal payments paid this fiscal year totaling \$4,000,000 and cash defeasance in the amount of \$2,125,000 on the Unlimited Tax Refunding Bonds, Series 2010.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

WALLER INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in establishing the District's budget for 2018-2019:

- Student enrollment for 2018-2019 is expected to remain approximately the same when compared to 2017-2018. District officials anticipate no significant change in the rate of attendance for the year 2019 compared to the year 2018; therefore, the refined daily attendance, which is a significant component of the formula upon which State Foundation Program entitlements are based, is not projected to change significantly for 2018-2019.
- The District's total tax rate remained the same as the previous year at \$1.44 per \$100 of valuation, with the Maintenance and Operations tax rate at \$1.04 and the Interest and Sinking tax rate at \$0.40.
- No new programs were added and no significant changes to existing programs occurred during the current year and no significant changes are planned for 2018-2019.
- District officials anticipate that the fund balance for the general fund will not materially change for 2018-2019 compared to 2017-2018.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mike Marcus, CPA, Assistant Superintendent for Finance, at (936) 931-0314.

Basic Financial Statements

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WALLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 13,506,408	\$ 42,707	\$ 13,549,115
1120 <i>Current Investments</i>	16,320,272	--	16,320,272
1220 <i>Property Taxes Receivable (Delinquent)</i>	3,553,488	--	3,553,488
1230 <i>Allowance for Uncollectible Taxes</i>	(1,080,770)	--	(1,080,770)
1240 <i>Due from Other Governments</i>	1,245,791	--	1,245,791
1300 <i>Inventories</i>	77,371	--	77,371
1410 <i>Prepaid Items</i>	707,376	--	707,376
Capital Assets:			
1510 <i>Land</i>	7,314,104	--	7,314,104
1520 <i>Buildings and Improvements, Net</i>	133,066,709	--	133,066,709
1530 <i>Furniture and Equipment, Net</i>	2,622,513	--	2,622,513
1530 <i>Vehicles, Net</i>	3,320,694	--	3,320,694
1000 Total Assets	<u>180,653,956</u>	<u>42,707</u>	<u>180,696,663</u>
DEFERRED OUTFLOWS OF RESOURCES:			
1700 <i>Deferred Charges on Refundings</i>	3,892,002	--	3,892,002
1705 <i>Deferred Outflows Related to Pensions</i>	4,233,090	--	4,233,090
1706 <i>Deferred Outflows Related to OPEB</i>	394,634	--	394,634
1700 Total Deferred Outflows of Resources	<u>8,519,726</u>	<u>--</u>	<u>8,519,726</u>
LIABILITIES:			
2110 <i>Accounts Payable</i>	237,388	--	237,388
2140 <i>Interest Payable</i>	218,683	--	218,683
2165 <i>Accrued Liabilities</i>	3,100,589	--	3,100,589
2180 <i>Due to Other Governments</i>	34,536	--	34,536
2300 <i>Unearned Revenue</i>	4,162	--	4,162
Noncurrent Liabilities:			
2501 <i>Due Within One Year</i>	4,105,000	--	4,105,000
2502 <i>Due in More Than One Year</i>	130,728,597	--	130,728,597
2540 <i>Net Pension Liability</i>	10,372,858	--	10,372,858
2545 <i>Net OPEB Liability</i>	21,700,169	--	21,700,169
2000 Total Liabilities	<u>170,501,982</u>	<u>--</u>	<u>170,501,982</u>
DEFERRED INFLOWS OF RESOURCES:			
2605 <i>Deferred Inflows Related to Pensions</i>	2,127,999	--	2,127,999
2605 <i>Deferred Inflows Related to OPEB</i>	9,077,221	--	9,077,221
2600 Total Deferred Inflows of Resources	<u>11,205,220</u>	<u>--</u>	<u>11,205,220</u>
NET POSITION:			
3200 <i>Net Investment in Capital Assets</i>	18,646,441	--	18,646,441
Restricted For:			
3820 <i>Federal and State Programs</i>	1,075,915	--	1,075,915
3850 <i>Debt Service</i>	9,655,398	--	9,655,398
3900 <i>Unrestricted</i>	(21,911,274)	42,707	(21,868,567)
3000 Total Net Position	<u>\$ 7,466,480</u>	<u>\$ 42,707</u>	<u>\$ 7,509,187</u>

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 32,595,213	\$ 97,408	\$ (2,253,242)
12	Instructional Resources and Media Services	460,695	--	(76,634)
13	Curriculum and Staff Development	492,358	--	(217,625)
21	Instructional Leadership	1,765,602	--	(114,194)
23	School Leadership	2,619,101	--	(612,909)
31	Guidance, Counseling, and Evaluation Services	1,716,450	--	(44,453)
33	Health Services	329,340	--	(53,316)
34	Student Transportation	3,542,548	--	(220,036)
35	Food Service	2,826,236	786,071	2,454,658
36	Cocurricular/Extracurricular Activities	1,341,797	167,258	(163,303)
41	General Administration	2,232,398	--	(222,226)
51	Facilities Maintenance and Operations	7,245,561	--	65,850
52	Security and Monitoring Services	553,529	--	28,170
53	Data Processing Services	1,483,403	--	(29,383)
61	Community Services	68,954	--	4,705
72	Interest on Long-term Debt	4,802,974	--	188,811
73	Bond Issuance Costs and Fees	24,975	--	--
99	Other Intergovernmental Charges	503,129	--	--
TG	Total Governmental Activities	<u>64,604,263</u>	<u>1,050,737</u>	<u>(1,265,127)</u>
	Business-type Activities:			
01	Vending	103,042	113,289	1,391
TB	Total Business-type Activities	<u>103,042</u>	<u>113,289</u>	<u>1,391</u>
TP	Total Primary Government	<u>\$ 64,707,305</u>	<u>\$ 1,164,026</u>	<u>\$ (1,263,736)</u>
MT	General Revenues:			
DT	Property Taxes, Levied for General Purposes			
IE	Property Taxes, Levied for Debt Service			
GC	Investment Earnings			
MI	Grants and Contributions Not Restricted to Specific Programs			
TR	Miscellaneous			
CN	Total General Revenues			
NB	Change in Net Position			
PA	Net Position - Beginning			
	Prior Period Adjustment			
	Net Position - Beginning, as Restated			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (34,751,047)	\$ --	\$ (34,751,047)
(537,329)	--	(537,329)
(709,983)	--	(709,983)
(1,879,796)	--	(1,879,796)
(3,232,010)	--	(3,232,010)
(1,760,903)	--	(1,760,903)
(382,656)	--	(382,656)
(3,762,584)	--	(3,762,584)
414,493	--	414,493
(1,337,842)	--	(1,337,842)
(2,454,624)	--	(2,454,624)
(7,179,711)	--	(7,179,711)
(525,359)	--	(525,359)
(1,512,786)	--	(1,512,786)
(64,249)	--	(64,249)
(4,614,163)	--	(4,614,163)
(24,975)	--	(24,975)
(503,129)	--	(503,129)
<u>(64,818,653)</u>	<u>--</u>	<u>(64,818,653)</u>
--	11,638	11,638
--	11,638	11,638
<u>(64,818,653)</u>	<u>11,638</u>	<u>(64,807,015)</u>
32,243,781	--	32,243,781
12,352,600	--	12,352,600
425,485	--	425,485
28,251,300	--	28,251,300
241,401	--	241,401
<u>73,514,567</u>	<u>--</u>	<u>73,514,567</u>
8,695,914	11,638	8,707,552
36,821,681	31,069	36,852,750
(38,051,115)	--	(38,051,115)
(1,229,434)	31,069	(1,198,365)
<u>\$ 7,466,480</u>	<u>\$ 42,707</u>	<u>\$ 7,509,187</u>

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WALLER INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ 6,643,595	\$ 2,512,541	\$ 4,350,272	\$ 13,506,408
1120 <i>Current Investments</i>	9,177,284	7,142,857	131	16,320,272
1220 <i>Taxes Receivable, Delinquent</i>	2,653,566	899,922	--	3,553,488
1230 <i>Allowance for Uncollectible Taxes</i>	(863,356)	(217,414)	--	(1,080,770)
1240 <i>Due from Other Governments</i>	865,911	--	379,880	1,245,791
1260 <i>Due from Other Funds</i>	210,510	--	--	210,510
1300 <i>Inventories</i>	--	--	77,371	77,371
1410 <i>Prepaid Items</i>	707,376	--	--	707,376
1000 <i>Total Assets</i>	<u>\$ 19,394,886</u>	<u>\$ 10,337,906</u>	<u>\$ 4,807,654</u>	<u>\$ 34,540,446</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 143,819	\$ --	\$ 93,569	\$ 237,388
2160 <i>Accrued Wages Payable</i>	2,941,108	--	159,481	3,100,589
2170 <i>Due to Other Funds</i>	--	--	210,510	210,510
2180 <i>Due to Other Governments</i>	34,536	--	--	34,536
2300 <i>Unearned Revenue</i>	--	--	4,162	4,162
2000 <i>Total Liabilities</i>	<u>3,119,463</u>	<u>--</u>	<u>467,722</u>	<u>3,587,185</u>
DEFERRED INFLOWS OF RESOURCES:				
2600 <i>Unavailable Revenue for Property Taxes</i>	1,790,210	682,508	--	2,472,718
2600 <i>Total Deferred Inflows of Resources</i>	<u>1,790,210</u>	<u>682,508</u>	<u>--</u>	<u>2,472,718</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 <i>Inventories</i>	--	--	77,371	77,371
3430 <i>Prepaid Items</i>	707,376	--	--	707,376
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	998,544	998,544
3480 <i>Retirement of Long-Term Debt</i>	--	9,655,398	--	9,655,398
3490 <i>Other Restrictions of Fund Balance</i>	--	--	3,264,017	3,264,017
3600 <i>Unassigned</i>	13,777,837	--	--	13,777,837
3000 <i>Total Fund Balances</i>	<u>14,485,213</u>	<u>9,655,398</u>	<u>4,339,932</u>	<u>28,480,543</u>
4000 <i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$ 19,394,886</u>	<u>\$ 10,337,906</u>	<u>\$ 4,807,654</u>	<u>\$ 34,540,446</u>

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2018

Total fund balances - governmental funds balance sheet	\$ 28,480,543
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	146,324,020
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,472,718
Payables for bond principal which are not due in the current period are not reported in the funds.	(130,512,239)
Payables for bond interest which are not due in the current period are not reported in the funds.	(648,040)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(10,372,858)
Deferred inflows of resources related to Teacher Retirement System (TRS) are not reported in the funds.	(2,127,999)
Deferred outflows of resources related to TRS are not reported in the funds.	4,233,090
Recognition of the District's proportionate share of the net other postemployment benefits (OPEB) liability is not reported in the funds.	(21,700,169)
Deferred inflows of resources related to the OPEB plan are not reported in the funds.	(9,077,221)
Deferred outflows of resources related to the OPEB plan are not reported in the funds.	394,634
Rounding difference	<u>1</u>
Net position of governmental activities - Statement of Net Position	\$ <u>7,466,480</u>

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 32,972,213	\$ 12,444,309	\$ 834,258	\$ 46,250,780
5800 <i>State Program Revenues</i>	31,308,435	188,811	726,678	32,223,924
5900 <i>Federal Program Revenues</i>	1,077,853	--	5,914,361	6,992,214
5020 Total Revenues	<u>65,358,501</u>	<u>12,633,120</u>	<u>7,475,297</u>	<u>85,466,918</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	38,144,048	--	2,625,765	40,769,813
0012 <i>Instructional Resources and Media Services</i>	605,435	--	--	605,435
0013 <i>Curriculum and Staff Development</i>	901,352	--	11,296	912,648
0021 <i>Instructional Leadership</i>	2,127,833	--	190,051	2,317,884
0023 <i>School Leadership</i>	3,761,898	--	--	3,761,898
0031 <i>Guidance, Counseling, and Evaluation Services</i>	2,191,593	--	532,808	2,724,401
0033 <i>Health Services</i>	430,019	--	--	430,019
0034 <i>Student Transportation</i>	4,083,082	--	611	4,083,693
0035 <i>Food Service</i>	--	--	3,692,755	3,692,755
0036 <i>Cocurricular/Extracurricular Activities</i>	1,655,254	--	--	1,655,254
0041 <i>General Administration</i>	2,663,331	--	--	2,663,331
0051 <i>Facilities Maintenance and Operations</i>	7,157,093	--	155,561	7,312,654
0052 <i>Security and Monitoring Services</i>	515,210	--	21,444	536,654
0053 <i>Data Processing Services</i>	1,571,682	--	--	1,571,682
0061 <i>Community Services</i>	68,377	--	10,566	78,943
0071 <i>Principal on Long-term Debt</i>	--	4,000,000	--	4,000,000
0072 <i>Interest on Long-term Debt</i>	--	5,143,366	--	5,143,366
0073 <i>Bond Issuance Costs and Fees</i>	--	16,050	--	16,050
0081 <i>Capital Outlay</i>	2,407,059	--	7,948,653	10,355,712
0099 <i>Other Intergovernmental Charges</i>	503,129	--	--	503,129
6030 Total Expenditures	<u>68,786,395</u>	<u>9,159,416</u>	<u>15,189,510</u>	<u>93,135,321</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(3,427,894)</u>	<u>3,473,704</u>	<u>(7,714,213)</u>	<u>(7,668,403)</u>
Other Financing Sources and (Uses):				
8949 <i>Payment to Escrow Agent</i>	--	(2,201,653)	--	(2,201,653)
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>(2,201,653)</u>	<u>--</u>	<u>(2,201,653)</u>
1200 Net Change in Fund Balances	<u>(3,427,894)</u>	<u>1,272,051</u>	<u>(7,714,213)</u>	<u>(9,870,056)</u>
0100 Fund Balances - Beginning	<u>17,913,107</u>	<u>8,383,347</u>	<u>12,054,145</u>	<u>38,350,599</u>
3000 Fund Balances - Ending	<u>\$ 14,485,213</u>	<u>\$ 9,655,398</u>	<u>\$ 4,339,932</u>	<u>\$ 28,480,543</u>

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018*

Net change in fund balances - total governmental funds \$ (9,870,056)

Amounts reported for governmental activities in the Statement of Activities
(SOA) are different because:

Capital outlays are not reported as expenses in the SOA.	10,376,129
The depreciation of capital assets used in governmental activities is not reported in the funds.	(5,213,213)
The loss on the disposal of capital assets is not reported in the funds.	(821,390)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	63,225
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(2,954,851)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	2,954,851
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,000,000
Bond premiums and refunding differences are amortized in the SOA but not in the funds.	341,662
The accretion of interest on capital appreciation bonds is not reported in the funds.	(11,154)
(Increase) decrease in accrued interest from beginning of period to end of period.	9,884
Cash defeasance of long-term debt is recognized as other financial uses in the funds but not expense in the SOA.	2,201,653
Loss on cash defeasance is reported in the SOA but not in the funds.	(8,924)
GASB 68 revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	1,745,084
GASB 68 expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(1,785,340)
GASB 75 revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(11,022,865)
Implementing GASB 75 required the recognition of a contribution adjustment for the year.	2,666
GASB 75 expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	18,688,553

Change in net position of governmental activities - Statement of Activities \$ 8,695,914

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT*STATEMENT OF NET POSITION**ENTERPRISE FUND**AUGUST 31, 2018*

Data Control Codes		Nonmajor Enterprise Fund
		Vending Machines Fund
ASSETS:		
	Current Assets:	
1110	<i>Cash and Cash Equivalents</i>	\$ 42,707
	Total Current Assets	42,707
1000	Total Assets	42,707
LIABILITIES:		
2000	Total Liabilities	--
NET POSITION:		
3900	<i>Unrestricted</i>	42,707
3000	Total Net Position	\$ 42,707

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - ENTERPRISE FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Nonmajor Enterprise Fund	
		Vending Machines Fund	
	OPERATING REVENUES:		
5700	<i>Local and Intermediate Sources</i>	\$	113,289
5800	<i>State Program Revenues</i>		1,391
5020	Total Revenues		<u>114,680</u>
	OPERATING EXPENSES:		
6100	<i>Payroll Costs</i>		26,471
6300	<i>Supplies and Materials</i>		76,571
6030	Total Expenses		<u>103,042</u>
1300	Change in Net Position		11,638
0100	Total Net Position - Beginning		31,069
3300	Total Net Position - Ending	\$	<u><u>42,707</u></u>

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****ENTERPRISE FUND****FOR THE YEAR ENDED AUGUST 31, 2018**

	Nonmajor Enterprise Fund
	Vending Machines Fund
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 114,680
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(103,042)
Net Cash Provided by Operating Activities	<u>11,638</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,638
Cash and Cash Equivalents at Beginning of Year	31,069
Cash and Cash Equivalents at End of Year	<u>\$ 42,707</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 11,638
Net Cash Provided by Operating Activities	<u>\$ 11,638</u>

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**AUGUST 31, 2018*

		Agency Fund	
			Student Activity
<u>Data Control Codes</u>			
ASSETS:			
1110	<i>Cash and Cash Equivalents</i>	\$	472,951
1000	Total Assets		<u>472,951</u>
LIABILITIES:			
Current Liabilities:			
2190	<i>Due to Student Groups</i>		<u>472,951</u>
2000	Total Liabilities		<u>472,951</u>
NET POSITION:			
3000	Total Net Position	\$	<u><u>--</u></u>

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies

The basic financial statements of Waller Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees (the "Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation and Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

Debt Service Fund: This fund is used to account for tax revenues and for the payment of principal, interest, and other related costs on long-term debt for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all the related debt obligations have been met.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for revenues and expenses related to grant awards and entitlements from federal, state, and local agencies. These funds are primarily on a reimbursement basis and have a program year that does not always coincide with the District's fiscal year. Nearly all of these funds cannot carry a fund balance and, other than the food service fund, none of these funds are legally required to have an adopted budget.

Capital Projects Fund: This fund is used to account for revenues and expenses related to projects financed by the proceeds of bond issues or for capital projects otherwise mandated to be accounted for in this fund. This fund is not legally required to be budgeted on an annual basis, rather expenditures of this fund are controlled by project budget.

Enterprise Fund: This fund is used to account for revenues and expenditures related to the District's vending activities. Because the principal uses of the enterprise fund are for business-type activities, this fund type is included in the "Business-Type Activities" column of the financial statements.

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

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

b. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year end to be available in the current period. 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. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon 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.

c. Inventories and Prepaid Items

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

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at acquisition value at the date of the 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. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Building Improvements	20 years
Vehicles	2 - 15 years
Equipment	3 - 15 years

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement, *deferred outflows of resources*, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has six items that qualify for reporting in this category on the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded and refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for employer pension and OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension and OPEB liabilities during the measurement period in which the contributions were made. Deferred outflows of resources are recognized for the difference between the projected and actual investment earnings on the OPEB plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit plans. These amounts are deferred and amortized over the average of the expected service lives of pension and OPEB plan members.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category in the government-wide statement of net position. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined pension and OPEB plans. These amounts are deferred and amortized over the average of the expected service lives of pension and OPEB plan members. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit plan. Those amounts are deferred and amortized over the average of the expected service lives of pension plan members. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

f. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

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

j. 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 in 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 Board. Committed amounts cannot be used for any other purpose unless the 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 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.

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 Board or by an official or body to which the 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.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

m. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

n. Negative Operating Grants and Contributions - Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and other postemployment benefit (OPEB) plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. Teacher Retirement System (TRS) and Texas Public School Retired Employees Group Insurance Program ("TRS-Care") benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the statement of activities in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

During the year under audit, the NECE expense was negative due to changes in benefits within TRS-Care. The accrual for the proportionate share of that expense was a negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the statement of activities.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

Following are the effects on the statement of activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions (Excluding On- Behalf Accruals)	Negative On-Behalf Accruals	Operating Grants and Contributions As Reported
11 - Instruction	\$ 3,241,059	\$ (5,494,301)	\$ (2,253,242)
12 - Instructional Resources and Media Services	6,866	(83,500)	(76,634)
13 - Curriculum and Instructional Staff Development	12,464	(230,089)	(217,625)
21 - Instructional Leadership	215,167	(329,361)	(114,194)
23 - School Leadership	38,391	(651,300)	(612,909)
31 - Guidance, Counseling, and Evaluation Services	529,842	(574,295)	(44,453)
33 - Health Services	3,278	(56,594)	(53,316)
34 - Student (Pupil) Transportation	88,914	(308,950)	(220,036)
35 - Food Services	3,054,003	(599,345)	2,454,658
36 - Extracurricular Activities	40,808	(204,111)	(163,303)
41 - General Administration	70,024	(292,250)	(222,226)
51 - Facilities Maintenance and Operations	423,045	(357,195)	65,850
52 - Security and Monitoring Services	30,953	(2,783)	28,170
53 - Data Processing Services	57,828	(87,211)	(29,383)
61 - Community Services	11,199	(6,494)	4,705
72 - Interest on Long-term Debt	188,811	--	188,811
	<u>\$ 8,012,652</u>	<u>\$ (9,277,779)</u>	<u>\$ (1,265,127)</u>

4. Pensions

The fiduciary net position of 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' 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.

5. Other Postemployment Benefits

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

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities 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.

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,022,066 and the bank balance was \$15,054,506. The District's cash deposits at August 31, 2018, and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), 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, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions: 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas; 2) certificates of deposit; 3) certain municipal securities; 4) securities lending program; 5) repurchase agreements; 6) bankers' acceptances; 7) mutual funds; 8) investment pools; 9) guaranteed investment contracts; and 10) commercial paper.

The District's investments at August 31, 2018 are shown below:

<u>Investment or Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Lone Star Investment Pool	\$ 14,248,140	--
Certificates of Deposit - First National Bank	2,072,132	0.21
	<u>\$ 16,320,272</u>	
Portfolio weighted average maturity		0.03

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2018, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment or Investment Type</u>	<u>Administrator</u>	<u>Rating</u>
Lone Star Investment Pool	First Public, LLC	AAA *

* Rated by Standard and Poor's Investor Services

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

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

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

Lone Star

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and nonmembers. Lone Star is rated 'AAA' by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund and the Corporate Overnight Plus Fund of Lone Star which seeks to maintain a net asset value of one dollar and 50 cents, respectively. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

C. Capital Assets

Capital asset activity for the year ended August 31, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,463,392	\$ 2,850,712	\$ --	\$ 7,314,104
Total capital assets not being depreciated	<u>4,463,392</u>	<u>2,850,712</u>	<u>--</u>	<u>7,314,104</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	165,560,234	6,417,030	--	171,977,264
Equipment	4,269,696	959,349	86,115	5,142,930
Vehicles	10,848,234	149,038	1,246,870	9,750,402
Total capital assets being depreciated	<u>180,678,164</u>	<u>7,525,417</u>	<u>1,332,985</u>	<u>186,870,596</u>
Less accumulated depreciation for:				
Buildings and improvements	(34,666,243)	(4,244,312)	--	(38,910,555)
Equipment	(2,235,691)	(355,028)	(70,302)	(2,520,417)
Vehicles	(6,257,128)	(613,873)	(441,293)	(6,429,708)
Total accumulated depreciation	<u>(43,159,062)</u>	<u>(5,213,213)</u>	<u>(511,595)</u>	<u>(47,860,680)</u>
Total capital assets being depreciated, net	<u>137,519,102</u>	<u>2,312,204</u>	<u>821,390</u>	<u>139,009,916</u>
Governmental activities capital assets, net	<u>\$ 141,982,494</u>	<u>\$ 5,162,916</u>	<u>\$ 821,390</u>	<u>\$ 146,324,020</u>

Depreciation was charged to functions as follows:

Instruction	\$ 2,831,677
Instructional Resources and Media Services	41,144
Curriculum and Staff Development	43,972
Instructional Leadership	157,684
School Leadership	233,910
Guidance, Counseling, and Evaluation Services	153,295
Health Services	29,413
Student Transportation	316,382
Food Services	252,409
Extracurricular Activities	119,835
General Administration	199,374
Plant Maintenance and Operations	646,044
Security and Monitoring Services	49,435
Data Processing Services	132,481
Community Services	6,158
	<u>\$ 5,213,213</u>

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2018 consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	\$ <u>210,510</u>	Short-term loans

All amounts due are scheduled to be repaid within one year.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

E. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018 are as follows:

	Beginning Balances	Increase	Decrease	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Building Bonds, Series 2008	\$ 1,185,000	\$ --	\$ (1,185,000)	\$ --	\$ --
Refunding Bonds, Series 2010	8,350,000	--	(2,915,000)	5,435,000	825,000
Refunding Bonds, Series 2012	7,350,000	--	(645,000)	6,705,000	665,000
Refunding Bonds, Series 2013	2,985,000	--	(260,000)	2,725,000	265,000
Refunding Bonds, Series 2014	8,180,000	--	(100,000)	8,080,000	785,000
Refunding Bonds, Series 2015	7,180,000	--	--	7,180,000	--
Building Bonds, Series 2016	91,995,000	--	(1,020,000)	90,975,000	1,565,000
	<u>127,225,000</u>	<u>--</u>	<u>(6,125,000)</u>	<u>121,100,000</u>	<u>4,105,000</u>
<u>Other liabilities:</u>					
Bond premium	14,131,761	--	(827,520)	13,304,241	--
Accreted interest on CAB's	418,202	11,154	--	429,357	--
Net pension liability	12,939,423	--	(2,566,565)	10,372,858	--
Net OPEB liability	38,310,552	--	(16,610,383)	21,700,169	--
Total governmental activities	<u>\$ 193,024,938</u>	<u>\$ 11,154</u>	<u>\$ (26,129,468)</u>	<u>\$ 166,906,624</u>	<u>\$ 4,105,000</u>
Long-term liabilities due in more than one year				<u>\$ 162,801,624</u>	

Bonded indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. These bonds were issued as school building bonds or refunding bonds. Interest rates on the bonds ranged from 2.00% to 4.00% for Refunding Bonds, Series 2010; 1.50% to 3.00% for Refunding Bonds, Series 2012; 2.00% to 3.50% for Refunding Bonds, Series 2013; 2.00% to 4.00% for Refunding Bonds, Series 2014; 4.00% for Refunding Bonds, Series 2015; and 3.00% to 5.00% for Building Bonds, Series 2016. Interest expense was \$5,143,366 for the year ended August 31, 2018.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018 are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 4,105,000	\$ 5,395,075	\$ 9,500,075
2020	5,075,000	4,795,125	9,870,125
2021	5,295,000	4,593,125	9,888,125
2022	4,915,000	4,385,550	9,300,550
2023	5,125,000	4,179,325	9,304,325
2024-2028	22,380,000	17,898,775	40,278,775
2029-2033	22,815,000	13,574,550	36,389,550
2034-2038	25,085,000	7,861,350	32,946,350
2037-2041	15,445,000	3,769,650	19,214,650
2042-2046	10,860,000	663,200	11,523,200
Totals	<u>\$ 121,100,000</u>	<u>\$ 67,115,725</u>	<u>\$ 188,215,725</u>

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

3. Cash Defeasance

During the fiscal year ended August 31, 2018, the District executed a partial cash defeasance by depositing funds in the amount of \$2,201,65.75 into an escrow account to defease \$2,125,000 of outstanding Series 2010 Unlimited Tax Refunding Bonds. As a result, this portion of the bonds is considered to be defeased and the pro-rata portion of the liability is not included in the Statement of Net Position. The value at redemption to the call date of February 15, 2020 is \$2,294,999.25. The reacquisition price exceeded the net carrying amount of the old debt by \$8,924. This amount is being expensed for the fiscal year ended August 31, 2018.

F. Commitments Under Noncapitalized Leases

The District has various operating lease agreements for copiers. Rental expenditures recognized by the District for the fiscal year are as follows:

Rental Expenditures in 2018	\$ <u>314,268</u>
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G. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS'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 <https://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

3. 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% (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 date of employment, or if the member was grandfathered in under a previous rule.

There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

4. 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 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>		
	2017	2018
Member	7.7%	7.7%
NECE - State	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 1,063,224	
District's 2017 Member Contributions	\$ 1,051,915	
NECE 2017 On-Behalf Contributions to District	\$ 2,340,145	

Contributors to the plan include members, employers, and the State of Texas as the only NECE. The State is the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the GAA.

As the NECE for public education and junior colleges, 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 (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

- 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 local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term Expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad Hoc Postemployment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four-year period ending August 31, 2014 and adopted on September 24, 2015.

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. 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 NECE 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.

WALLER INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED AUGUST 31, 2018

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 System's target asset allocation as of August 31, 2017 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2017

Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns.

** The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the net pension liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ <u>17,486,589</u>	\$ <u>10,372,858</u>	\$ <u>4,449,522</u>

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

At August 31, 2018, the District reported a liability of \$10,372,858 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 10,372,858
State's proportionate share that is associated with District	<u>22,878,550</u>
Total	\$ <u>33,251,408</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the District's proportion of the collective net pension liability was 0.0324409%, which was a decrease of 0.0018008% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2018, the District recognized pension expense of \$1,745,085 and revenue of \$1,745,085 for support provided by the State.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

At August 31, 2018, the District reported its proportionate share of the TRS' 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	\$ 151,760	\$ 559,395
Changes in actuarial assumptions	472,500	270,495
Difference between projected and actual investment earnings	--	755,951
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,154,811	542,158
Contributions paid to TRS subsequent to the measurement date	1,454,019	--
Total	<u>\$ 4,233,090</u>	<u>\$ 2,127,999</u>

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

Year Ended August 31	Pension Expense
2019	\$ 113,646
2020	775,772
2021	62,770
2022	(145,335)
2023	(75,512)
Thereafter	(80,269)
Total	<u>\$ 651,072</u>

I. Defined Other Postemployment Benefit Plans

1. Plan Description

The District participates in TRS-Care. It is a multiple-employer, OPEB plan that has a special funding situation. TRS-Care is administered through a trust by the TRS Board of Trustees (the "Board"). It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

2. OPEB Plan Fiduciary Net Position

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

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

Components of the net OPEB liability of TRS-Care as of August 31, 2017 are as follows:

Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

3. Benefits Provided

TRS-Care provides a basic health insurance coverage, TRS-Care 1 (the "Basic Plan"), at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits, TRS-Care 2 and TRS-Care 3 (the "Optional Health Insurance"). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board is granted the authority to establish basic and optional group insurance coverage for participants, as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments (COLAs).

The premium rates for the Optional Health Insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A and B coverage, with 20 to 29 years of service, for the basic plan and the two optional plans:

TRS-Care Plan Premium Rates				
Effective September 1, 2016 - December 31, 2017				
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan	
Retiree*	\$ --	\$ 70	\$ 100	
Retiree and Spouse	\$ 20	\$ 175	\$ 255	
Retiree* and Children	\$ 41	\$ 132	\$ 182	
Retiree and Family	\$ 61	\$ 237	\$ 337	
Surviving Children Only	\$ 28	\$ 62	\$ 82	
* or surviving spouse				

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

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

	Contribution Rates	
	2017	2018
Active Employee	0.65%	0.65%
NECE - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year District contributions		\$ 259,437
Current fiscal year member contributions		\$ 106,410
2017 measurement year NECE contributions		\$ 393,825

In addition to the employer contributions listed above, there is an additional surcharge to which all TRS employers are subject (regardless of whether they participate in TRS-Care). When employers hire a TRS retiree, they are required to pay a monthly surcharge of \$535 per retiree to TRS-Care. TRS-Care received supplemental appropriations from the State of Texas as the NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

- | | |
|----------------------------------|----------------------------|
| 1. Rates of Mortality | 5. General Inflation |
| 2. Rates of Retirement | 6. Wage Inflation |
| 3. Rates of Termination | 7. Expected Payroll Growth |
| 4. Rates of Disability Incidence | |

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

Additional actuarial methods and assumptions are as follows:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Postemployment Benefit Changes	None

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retirees, 10.00% for Medicare retirees, and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the NECE are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

7. Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 25,611,586	\$ 21,700,169	\$ 18,556,271

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
District's proportionate share of net OPEB liability	\$ <u>18,067,558</u>	\$ <u>21,700,169</u>	\$ <u>26,466,611</u>

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At August 31, 2018, the District reported a liability of \$21,700,169 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 21,700,169
State's proportionate share that is associated with the District	<u>32,940,792</u>
Total	\$ <u>54,640,961</u>

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to their OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At the August 31, 2017 measurement date, the District's proportion of the collective net OPEB liability was 0.0499012%, which was the same proportion measured as of August 31, 2016.

9. Changes Since the Prior Actuarial Valuation

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

- Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered total OPEB liability.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac Tax." In this valuation, the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(11,022,865) and revenue of \$(11,022,865) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ --	\$ 453,007
Changes in actuarial assumptions	--	8,624,214
Differences between projected and actual investment earnings	3,296	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	99	--
Contributions paid to TRS subsequent to the measurement date	391,239	--
	<u>\$ 394,634</u>	<u>\$ 9,077,221</u>

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

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

Year Ended August 31	Amount
2019	\$ (1,197,301)
2020	(1,197,301)
2021	(1,197,301)
2022	(1,197,301)
2023	(1,198,125)
Thereafter	(3,086,497)
Total	<u>\$ (9,073,826)</u>

J. Employee Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$350 per employee to the Plan. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2018, and terms of coverage and premium costs are included in the contractual provisions.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2018.

L. Workers' Compensation

During the year ended August 31, 2018, the District participated in a fully funded workers' compensation program. Contributions were paid to a third-party administrator, acting on behalf of the fully funded pool. The contract between the District and the third-party administrator is renewable September 1, 2018, and the terms of coverage and contribution costs are included in the contractual provisions.

In accordance with state statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage. The coverage was in effect for individual claims exceeding \$1,000,000 and for aggregate claims with a statutory limit of \$1,000,000.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

M. Unemployment Compensation

During the year ended August 31, 2018, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2018, the Fund anticipates the District has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

N. Tax Abatements

The District entered into a property tax abatement agreement (the "Agreement") with the Hewlett-Packard Company (the "Company") for a limitation on appraised value of property for school district maintenance and operation (M&O) taxes pursuant to Chapter 313 of the Texas Tax Code, the Texas Economic Development Act (the "Act") as of July 31, 2019.

Under the Act, a taxpayer agrees to build or install property and create jobs in exchange for a 10-year limitation on the taxable property value for school district M&O purposes. The minimum limitation value varies by school district.

The District has granted the Company a tax limitation of \$10,000,000 for tax years 2010 through 2019. Tax years 2010 and 2011 were considered the qualifying time period in which the Company agreed to make qualifying investment in the amount of at least \$10,000,000 for the purposes of renewable energy. The Company made a qualified investment of \$175,199,083. The District agreed to provide a tax credit for the amount of the M&O ad valorem taxes that were imposed on the portion of the appraised value of the qualified report that exceeded the amount of the limitation agreed to by the District in the applicable qualifying time period which totaled \$2,194,564. Beginning tax year 2013, and in each of the subsequent six tax years, the Company will receive a credit against the taxes imposed on the qualified property by the District equal to the lesser of \$313,509 (or one-seventh of the entitled tax credit) or 50% of the total amount of taxes imposed on the qualified property in that tax year. Tax years 2020 through 2022 are identified in the agreement as the tax credit settle-up period. The District has agreed to provide a tax credit equal to the lesser of any remaining tax credit balance or the total amount of taxes imposed on the qualified property by the District in that tax year.

The gross tax savings through limitation are estimated to total \$9,308,596 over the life of the Agreement. The Agreement provides for recapture along with penalty and interest costs in the event of a material breach.

O. Prior Period Adjustment

Beginning net position for governmental activities was restated to recognize OPEB liability for GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

	Governmental Activities
Beginning net position - as reported	\$ 36,821,681
Change in the net OPEB liability	(38,310,552)
Deferred outflows - contributions after measurement date (OPEB)	259,437
Beginning net position - as restated	\$ <u>(1,229,434)</u>

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Required Supplementary Information

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

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WALLER INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018
EXHIBIT G-1

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts		Actual	Final Budget
		Original	Final		Positive (Negative)
	REVENUES:				
5700	Local and Intermediate Sources	\$ 31,364,351	\$ 32,634,351	\$ 32,972,213	\$ 337,862
5800	State Program Revenues	28,496,328	34,612,828	31,308,435	(3,304,393)
5900	Federal Program Revenues	700,000	1,055,011	1,077,853	22,842
5020	Total Revenues	60,560,679	68,302,190	65,358,501	(2,943,689)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	36,676,690	38,666,019	38,144,048	521,971
0012	Instructional Resources and Media Services	660,000	685,395	605,435	79,960
0013	Curriculum and Staff Development	1,170,700	1,236,200	901,352	334,848
	Total Instruction & Instr. Related Services	38,507,390	40,587,614	39,650,835	936,779
	Instructional and School Leadership:				
0021	Instructional Leadership	1,352,450	2,190,450	2,127,833	62,617
0023	School Leadership	3,267,450	3,933,498	3,761,898	171,600
	Total Instructional & School Leadership	4,619,900	6,123,948	5,889,731	234,217
	Support Services - Student (Pupil):				
0031	Guidance, Counseling, and Evaluation Services	1,816,775	2,559,490	2,191,593	367,897
0033	Health Services	580,975	601,988	430,019	171,969
0034	Student (Pupil) Transportation	3,686,625	4,155,625	4,083,082	72,543
0036	Cocurricular/Extracurricular Activities	2,072,150	2,131,150	1,655,254	475,896
	Total Support Services - Student (Pupil)	8,156,525	9,448,253	8,359,948	1,088,305
	Administrative Support Services:				
0041	General Administration	2,562,300	2,855,800	2,663,331	192,469
	Total Administrative Support Services	2,562,300	2,855,800	2,663,331	192,469
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	6,126,800	7,353,300	7,157,093	196,207
0052	Security and Monitoring Services	569,900	571,400	515,210	56,190
0053	Data Processing Services	1,264,800	1,959,811	1,571,682	388,129
	Total Support Services - Nonstudent Based	7,961,500	9,884,511	9,243,985	640,526
	Ancillary Services:				
0061	Community Services	54,550	88,050	68,377	19,673
	Total Ancillary Services	54,550	88,050	68,377	19,673
	Capital Outlay:				
0081	Capital Outlay	80,000	2,467,500	2,407,059	60,441
	Total Capital Outlay	80,000	2,467,500	2,407,059	60,441
0099	Other Intergovernmental Charges	520,000	520,000	503,129	16,871
	Total Intergovernmental Charges	520,000	520,000	503,129	16,871
6030	Total Expenditures	62,462,165	71,975,676	68,786,395	3,189,281
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(1,901,486)	(3,673,486)	(3,427,894)	245,592
1200	Net Change in Fund Balance	(1,901,486)	(3,673,486)	(3,427,894)	245,592
0100	Fund Balance - Beginning	17,913,107	17,913,107	17,913,107	--
3000	Fund Balance - Ending	\$ 16,011,621	\$ 14,239,621	\$ 14,485,213	\$ 245,592

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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WALLER INDEPENDENT SCHOOL DISTRICT**EXHIBIT G-2**

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)
LAST TEN FISCAL YEARS
FOR THE YEAR ENDED AUGUST 31, 2018*

	Measurement Year*			
	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0324409%	0.0342417%	0.0355512%	0.0220059%
District's proportionate share of the net pension liability (asset)	\$ 10,372,858	\$ 12,939,423	\$ 12,566,876	\$ 5,878,080
State's proportionate share of the net pension liability (asset) associated with the District	22,878,550	25,196,619	22,640,492	18,567,648
Total	<u>\$ 33,251,408</u>	<u>\$ 38,136,042</u>	<u>\$ 35,207,368</u>	<u>\$ 24,445,728</u>
District's covered employee payroll **	\$ 41,945,655	\$ 39,372,795	\$ 37,946,786	\$ 35,347,051
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	24.73%	32.86%	33.12%	16.63%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

* Only four years' worth of information is currently available.

** As of measurement date

Notes to Required Supplementary Information:*Changes in Assumptions*

There were no changes in assumptions or other inputs that affected measurement of the total net pension liability since the prior measurement period.

Changes in Benefits

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

WALLER INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF DISTRICT CONTRIBUTIONS**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)**LAST TEN FISCAL YEARS**FOR THE YEAR ENDED AUGUST 31, 2018*

	Fiscal Year *		
	2018	2017	2016
Contractually required contribution	\$ 1,454,019	\$ 1,063,224	1,087,945
Contributions in relation to the contractually required contribution	1,454,019	1,063,224	1,087,945
Contribution deficiency (excess)	\$ --	\$ --	--
District's covered employee payroll	\$ 46,817,623	\$ 41,945,655	39,372,795
Contributions as a percentage of covered employee payroll	3.11%	2.53%	2.76%

* Only five years' worth of information is currently available.

EXHIBIT G-3

Fiscal Year *	
2015	2014
\$ 1,052,686	\$ 557,911
1,052,686	557,911
<u>\$ --</u>	<u>\$ --</u>
\$ 37,946,786	\$ 35,347,051
2.77%	1.58%

WALLER INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-4

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE**SHARE OF THE NET OPEB LIABILITY**TEXAS PUBLIC SCHOOLS RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-Care)**LAST TEN FISCAL YEARS**FOR THE YEAR ENDED AUGUST 31, 2018*

	Measurement Year *
	2017
District's proportion of the collective net OPEB liability (asset)	0.0499012%
District's proportionate share of the collective net OPEB liability (asset)	\$ 21,700,169
State's proportionate share of the collective net OPEB liability (asset) associated with the District	32,940,792
Total	\$ 54,640,961
District's covered employee payroll **	\$ 41,945,655
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	51.73%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	0.91%

* Only one year's worth of information is currently available.

** As of measurement date

Notes to Required Supplementary Information:*Changes in Assumptions*

There were no changes in assumptions that affected measurement of the total OPEB liability during the measurement period.

Changes in Benefits

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

WALLER INDEPENDENT SCHOOL DISTRICT**EXHIBIT G-5***SCHEDULE OF DISTRICT CONTRIBUTIONS**TEXAS PUBLIC SCHOOL RETIRED EMPLOYEE GROUP INSURANCE PROGRAM (TRS-Care)**LAST TEN FISCAL YEARS**FOR THE YEAR ENDED AUGUST 31, 2018*

	<u>Fiscal Year *</u>
	<u>2018</u>
Statutorily or contractually required District contributions	\$ 391,239
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	391,239
Contribution deficiency (excess)	<u>\$ --</u>
District's covered employee payroll	\$ 46,817,623
Contributions as a percentage of covered employee payroll	0.84%

* Only one year's worth of information is currently available.

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Combining Statements as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

WALLER INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS**

AUGUST 31, 2018

Data Control Codes	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 1,074,636	\$ 3,275,636	\$ 4,350,272
1120 <i>Current Investments</i>	--	131	131
1240 <i>Due from Other Governments</i>	379,880	--	379,880
1300 <i>Inventories</i>	77,371	--	77,371
1000 Total Assets	<u>\$ 1,531,887</u>	<u>\$ 3,275,767</u>	<u>\$ 4,807,654</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 81,819	\$ 11,750	\$ 93,569
2160 <i>Accrued Wages Payable</i>	159,481	--	159,481
2170 <i>Due to Other Funds</i>	210,510	--	210,510
2300 <i>Unearned Revenue</i>	4,162	--	4,162
2000 Total Liabilities	<u>455,972</u>	<u>11,750</u>	<u>467,722</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 <i>Inventories</i>	77,371	--	77,371
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	998,544	--	998,544
3490 <i>Other Restrictions of Fund Balance</i>	--	3,264,017	3,264,017
3000 Total Fund Balances	<u>1,075,915</u>	<u>3,264,017</u>	<u>4,339,932</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,531,887</u>	<u>\$ 3,275,767</u>	<u>\$ 4,807,654</u>

WALLER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 789,142	\$ 45,116	\$ 834,258
5800 <i>State Program Revenues</i>	726,678	--	726,678
5900 <i>Federal Program Revenues</i>	5,914,361	--	5,914,361
5020 <i>Total Revenues</i>	<u>7,430,181</u>	<u>45,116</u>	<u>7,475,297</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	2,625,765	--	2,625,765
0013 <i>Curriculum and Staff Development</i>	11,296	--	11,296
0021 <i>Instructional Leadership</i>	190,051	--	190,051
0031 <i>Guidance, Counseling, and Evaluation Services</i>	532,808	--	532,808
0034 <i>Student Transportation</i>	611	--	611
0035 <i>Food Service</i>	3,692,755	--	3,692,755
0051 <i>Facilities Maintenance and Operations</i>	155,561	--	155,561
0052 <i>Security and Monitoring Services</i>	--	21,444	21,444
0061 <i>Community Services</i>	10,566	--	10,566
0081 <i>Capital Outlay</i>	--	7,948,653	7,948,653
6030 <i>Total Expenditures</i>	<u>7,219,413</u>	<u>7,970,097</u>	<u>15,189,510</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	210,768	(7,924,981)	(7,714,213)
1200 <i>Net Change in Fund Balances</i>	<u>210,768</u>	<u>(7,924,981)</u>	<u>(7,714,213)</u>
0100 <i>Fund Balances - Beginning</i>	865,147	11,188,998	12,054,145
3000 <i>Fund Balances - Ending</i>	<u>\$ 1,075,915</u>	<u>\$ 3,264,017</u>	<u>\$ 4,339,932</u>

WALLER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2018

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --	\$ --	\$ 1,025,307
1240 <i>Due from Other Governments</i>	114,734	162,820	286	79,495
1300 <i>Inventories</i>	--	--	--	77,371
1000 <i>Total Assets</i>	<u>\$ 114,734</u>	<u>\$ 162,820</u>	<u>\$ 286</u>	<u>\$ 1,182,173</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ --	\$ 793	\$ --	\$ 81,026
2160 <i>Accrued Wages Payable</i>	21,465	58,525	--	70,399
2170 <i>Due to Other Funds</i>	93,269	103,502	286	--
2300 <i>Unearned Revenue</i>	--	--	--	--
2000 <i>Total Liabilities</i>	<u>114,734</u>	<u>162,820</u>	<u>286</u>	<u>151,425</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 <i>Inventories</i>	--	--	--	77,371
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--	953,377
3000 <i>Total Fund Balances</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,030,748</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 114,734</u>	<u>\$ 162,820</u>	<u>\$ 286</u>	<u>\$ 1,182,173</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	288 LEP Summer School
\$ 45,167	\$ --	\$ --	\$ --	\$ --
--	--	--	22,545	--
--	--	--	--	--
<u>\$ 45,167</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 22,545</u>	<u>\$ --</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	9,092	--
--	--	--	13,453	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>22,545</u>	<u>--</u>
--	--	--	--	--
45,167	--	--	--	--
<u>45,167</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 45,167</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 22,545</u>	<u>\$ --</u>

WALLER INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2018

Data Control Codes		289 Title IV, Part A	397 Advanced Placement Incentives
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ --	\$ --
1240	<i>Due from Other Governments</i>	--	--
1300	<i>Inventories</i>	--	--
1000	Total Assets	<u>\$ --</u>	<u>\$ --</u>
	LIABILITIES:		
	Current Liabilities:		
2110	<i>Accounts Payable</i>	\$ --	\$ --
2160	<i>Accrued Wages Payable</i>	--	--
2170	<i>Due to Other Funds</i>	--	--
2300	<i>Unearned Revenue</i>	--	--
2000	Total Liabilities	<u>--</u>	<u>--</u>
	FUND BALANCES:		
	Nonspendable Fund Balances:		
3410	<i>Inventories</i>	--	--
	Restricted Fund Balances:		
3450	<i>Federal/State Funds Grant Restrictions</i>	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ --</u>

410 State Textbook Fund	429 State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 4,162	\$ --	\$ 1,074,636
--	--	379,880
--	--	77,371
<u>\$ 4,162</u>	<u>\$ --</u>	<u>\$ 1,531,887</u>
\$ --	\$ --	\$ 81,819
--	--	159,481
--	--	210,510
4,162	--	4,162
<u>4,162</u>	<u>--</u>	<u>455,972</u>
--	--	77,371
--	--	998,544
<u>--</u>	<u>--</u>	<u>1,075,915</u>
<u>\$ 4,162</u>	<u>\$ --</u>	<u>\$ 1,531,887</u>

WALLER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 789,142
5800 <i>State Program Revenues</i>	--	--	--	47,947
5900 <i>Federal Program Revenues</i>	1,043,560	1,220,880	7,344	3,189,439
5020 <i>Total Revenues</i>	<u>1,043,560</u>	<u>1,220,880</u>	<u>7,344</u>	<u>4,026,528</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	1,031,903	639,014	7,344	--
0013 <i>Curriculum and Staff Development</i>	--	11,296	--	--
0021 <i>Instructional Leadership</i>	480	43,407	--	--
0031 <i>Guidance, Counseling, and Evaluation Services</i>	--	527,163	--	--
0034 <i>Student Transportation</i>	611	--	--	--
0035 <i>Food Service</i>	--	--	--	3,675,613
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	155,561
0061 <i>Community Services</i>	10,566	--	--	--
6030 <i>Total Expenditures</i>	<u>1,043,560</u>	<u>1,220,880</u>	<u>7,344</u>	<u>3,831,174</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>	--	--	--	195,354
1100 <i>Expenditures</i>	--	--	--	195,354
1200 <i>Net Change in Fund Balances</i>	--	--	--	--
0100 <i>Fund Balances - Beginning</i>	--	--	--	835,394
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,030,748</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	288 LEP Summer School
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
32,556	56,246	146,164	189,542	4,749
<u>32,556</u>	<u>56,246</u>	<u>146,164</u>	<u>189,542</u>	<u>4,749</u>
--	56,246	--	189,542	--
--	--	--	--	--
--	--	146,164	--	--
--	--	--	--	4,749
--	--	--	--	--
17,142	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>17,142</u>	<u>56,246</u>	<u>146,164</u>	<u>189,542</u>	<u>4,749</u>
15,414	--	--	--	--
<u>15,414</u>	--	--	--	--
29,753	--	--	--	--
<u>\$ 45,167</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

WALLER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		289 Title IV, Part A	397 Advanced Placement Incentives
	REVENUES:		
5700	<i>Local and Intermediate Sources</i>	\$ --	\$ --
5800	<i>State Program Revenues</i>	--	2,850
5900	<i>Federal Program Revenues</i>	23,881	--
5020	Total Revenues	<u>23,881</u>	<u>2,850</u>
	EXPENDITURES:		
	Current:		
0011	<i>Instruction</i>	22,985	2,850
0013	<i>Curriculum and Staff Development</i>	--	--
0021	<i>Instructional Leadership</i>	--	--
0031	<i>Guidance, Counseling, and Evaluation Services</i>	896	--
0034	<i>Student Transportation</i>	--	--
0035	<i>Food Service</i>	--	--
0051	<i>Facilities Maintenance and Operations</i>	--	--
0061	<i>Community Services</i>	--	--
6030	Total Expenditures	<u>23,881</u>	<u>2,850</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	--	--
1200	Net Change in Fund Balances	--	--
0100	Fund Balances - Beginning	--	--
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>

410 State Textbook Fund	429 State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ --	\$ 789,142
670,635	5,246	726,678
--	--	5,914,361
<u>670,635</u>	<u>5,246</u>	<u>7,430,181</u>
670,635	5,246	2,625,765
--	--	11,296
--	--	190,051
--	--	532,808
--	--	611
--	--	3,692,755
--	--	155,561
--	--	10,566
<u>670,635</u>	<u>5,246</u>	<u>7,219,413</u>
--	--	210,768
--	--	210,768
--	--	865,147
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,075,915</u>

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Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

WALLER INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018*

Year Ended August 31	1		2	3
	Tax Rates			Assessed/Appraised
	Maintenance	Debt Service		Value For School Tax Purposes
2009 and Prior Years	Various	Various		Various
2010	\$ 1.04	\$.40	\$	1,574,123,858
2011	\$ 1.04	\$.40	\$	1,738,294,761
2012	\$ 1.04	\$.40	\$	1,754,172,032
2013	\$ 1.04	\$.40	\$	1,731,973,506
2014	\$ 1.04	\$.40	\$	1,892,167,836
2015	\$ 1.04	\$.40	\$	2,021,703,553
2016	\$ 1.04	\$.40	\$	2,243,617,577
2017	\$ 1.04	\$.40	\$	2,600,631,319
2018 (School Year Under Audit)	\$ 1.04	\$.40	\$	3,027,820,555

1000 Totals

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

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
\$ 678,047	\$ --	\$ 109,661	\$ 14,621	\$ (9,473)	\$ 544,292
134,653	--	15,687	6,034	(1,333)	111,599
142,499	--	16,752	6,443	(850)	118,454
151,609	--	21,591	8,304	(869)	120,845
203,268	--	46,616	17,929	14,349	153,072
234,878	--	67,889	26,111	60,759	201,637
326,649	--	85,584	32,917	57,350	265,498
495,742	--	150,438	57,861	35,634	323,077
1,161,081	--	380,428	152,664	(58,574)	569,415
--	43,600,616	30,661,957	11,793,060	--	1,145,599
<u>\$ 3,528,426</u>	<u>\$ 43,600,616</u>	<u>\$ 31,556,603</u>	<u>\$ 12,115,944</u>	<u>\$ 96,993</u>	<u>\$ 3,553,488</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WALLER INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT J-2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
	REVENUES:				
5700	Local and Intermediate Sources	\$ 763,100	\$ 763,100	\$ 789,142	\$ 26,042
5800	State Program Revenues	30,000	46,000	47,947	1,947
5900	Federal Program Revenues	3,000,000	3,000,000	3,189,439	189,439
5020	Total Revenues	3,793,100	3,809,100	4,026,528	217,428
	EXPENDITURES:				
	Current:				
	Support Services - Student (Pupil):				
0035	Food Services	3,659,800	3,675,800	3,675,613	187
	Total Support Services - Student (Pupil)	3,659,800	3,675,800	3,675,613	187
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	162,160	162,160	155,561	6,599
	Total Support Services - Nonstudent Based	162,160	162,160	155,561	6,599
6030	Total Expenditures	3,821,960	3,837,960	3,831,174	6,786
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(28,860)	(28,860)	195,354	224,214
1200	Net Change in Fund Balance	(28,860)	(28,860)	195,354	224,214
0100	Fund Balance - Beginning	835,394	835,394	835,394	--
3000	Fund Balance - Ending	\$ 806,534	\$ 806,534	\$ 1,030,748	\$ 224,214

WALLER INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES:				
5700	Local and Intermediate Sources			
5800	\$ 11,505,489	\$ 11,505,489	\$ 12,444,309	\$ 938,820
5020	--	--	188,811	188,811
	11,505,489	11,505,489	12,633,120	1,127,631
EXPENDITURES:				
Debt Service:				
0071	6,213,950	6,213,950	4,000,000	2,213,950
0072	5,250,000	5,250,000	5,143,366	106,634
0073	16,050	16,050	16,050	--
	11,480,000	11,480,000	9,159,416	2,320,584
6030	11,480,000	11,480,000	9,159,416	2,320,584
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	25,489	25,489	3,473,704	3,448,215
Other Financing Sources (Uses):				
8949	--	--	(2,201,653)	(2,201,653)
7080	--	--	(2,201,653)	(2,201,653)
1200	25,489	25,489	1,272,051	1,246,562
0100	8,383,347	8,383,347	8,383,347	--
3000	\$ 8,408,836	\$ 8,408,836	\$ 9,655,398	\$ 1,246,562

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*Federal Awards and
Other Compliance Section*

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Independent Auditors' 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
Waller 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 Waller Independent School District (the "District"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 10, 2019



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees of
Waller Independent School District:

Report on Compliance for Each Major Federal Program

We have audited the Waller Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Respectfully submitted,

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 10, 2019

WALLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
10.565	Commodity Supplemental Food Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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WALLER INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<i>NONE NOTED</i>		

WALLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	01114	\$ 711,582
National School Lunch Program	10.555	01114	2,170,509
Total Passed Through State Department of Education			2,882,091
Passed Through State Department of Human Resources:			
Summer Food Service Program	10.559	01114	32,556
Total U. S. Department of Agriculture			2,914,647
Total Child Nutrition Cluster			2,914,647
FOOD DISTRIBUTION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
Commodity Supplemental Food Program (Non-cash)	10.565	01114	275,114
Total U. S. Department of Agriculture			275,114
Total Food Distribution Cluster			275,114
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>IDEA-B Formula</i>	84.027	186600012379046600	1,162,355
<i>IDEA-B Formula</i>	84.027	196600012379046600	58,525
Total CFDA Number 84.027			1,220,880
<i>IDEA-B Preschool</i>	84.173	186610012379046610	7,344
Total Passed Through State Department of Education			1,228,224
Total U. S. Department of Education			1,228,224
Total Special Education (IDEA) Cluster			1,228,224
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010	18610101237904	1,022,095
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010	19610101237904	21,465
Total CFDA Number 84.010			1,043,560
<i>Career and Technical - Basic Grant</i>	84.048	18420006237904	56,246
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	18671001237904	180,450
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	19671001237904	9,092
Total CFDA Number 84.365			189,542
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	18694501237904	146,164
<i>LEP Summer School</i>	84.369	69551702	4,749
<i>Title IV, Part A, Subpart 1</i>	84.424	18680101237904	23,881
Total Passed Through State Department of Education			1,464,142
Total U. S. Department of Education			1,464,142

WALLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT K-1
Page 2 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC	12.000	237-904	\$ 48,204
Total U. S. Department of Defense			<u>48,204</u>
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
Child and Adult Care Food Program	10.558	01114	<u>32,234</u>
Total U. S. Department of Agriculture			<u>32,234</u>
<u>Federal Communications Commission</u>			
Direct Program:			
Universal E-Rate	32.000	237-904	<u>355,011</u>
Total Federal Communications Commission			<u>355,011</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,317,576</u>

The accompanying notes are an integral part of this schedule.

Reconciliation of Federal Revenue:	
Federal Revenue per SEFA	\$ 6,317,576
SHARS Reimbursement -	
General Fund	<u>674,638</u>
Total federal revenue	
per Exhibit C-2	<u>\$ 6,992,214</u>

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

WALLER INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2018*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls 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 Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> 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	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 429,357
SF11	Net Pension Asset (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liability (object 2540) at fiscal year-end.	\$ 10,372,858

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