

WALLER
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2014

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Waller Independent School District
Annual Financial Report
For The Year Ended August 31, 2014

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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, 2014, at a meeting of the board of trustees of such school district on the 12TH day of JANUARY, 2015.


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 the
Waller Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waller Independent School District (the "District") as of and for the year ended August 31, 2014, 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, each major fund, and the aggregate remaining fund information of Waller Independent School District as of August 31, 2014, and the respective changes in financial position, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information 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 Waller Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements 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 U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis 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 schedule labeled as "unaudited" 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 December 18, 2014 on our consideration of Waller Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waller Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

The image shows a stylized, cursive signature of "Belt Harris Pechacek, LLLP". The letters are large and ornate, with the first letters of each word being particularly prominent.

Belt Harris Pechacek, LLLP
Certified Public Accountants
Bellville, Texas
December 18, 2014

Management's Discussion and Analysis

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WALLER INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2014

This discussion and analysis of the 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, 2014. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2014 was \$26,137,330.
- For the fiscal year ended August 31, 2014, the District's general fund reported a total unassigned fund balance of \$11,870,989.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds and the debt service fund) reported combined ending fund balances of \$16,678,330.

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.
- *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.

WALLER INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2014

- 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.

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 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.
- *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 that are 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 and a statement of changes in 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.

WALLER INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2014

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$26,137,330 at August 31, 2014. *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, 2014. Table 1 indicates the overall condition of the District increased, which was the result of an increase in revenue as compared to the prior year. Table 2 reflects the District reporting an increase in state foundation revenue, property taxes, and operating grants and contributions with decreased revenue received from charges for services and investment earnings. Additionally, the District expended more during the year. The District reported increases in expenses as compared to the prior year resulting mainly from instruction, food service, general administration, and plant maintenance and operations expenses.

Table 1
Net Position

Description	Governmental Activities		Total Change
	2014	2013	2014-2013
Current assets	\$ 21,019,867	\$ 17,399,939	\$ 3,619,928
Capital assets	85,199,324	87,649,091	(2,449,767)
Total Assets	106,219,190	105,049,029	1,170,161
Deferred charges on refunding	923,005	853,206	69,799
Total Deferred Outflows of Resources	923,005	853,206	69,799
Current liabilities	1,832,195	1,780,344	51,851
Long-term liabilities	79,172,670	82,985,893	(3,813,223)
Total Liabilities	81,004,865	84,766,237	(3,761,372)
Net Position:			
Net investment in capital assets	6,027,063	4,663,606	1,363,457
Restricted	4,806,932	3,812,238	994,694
Unrestricted	15,303,335	12,660,154	2,643,181
Total Net Position	\$ 26,137,330	\$ 21,135,998	\$ 5,001,332

WALLER INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2014

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2014	2013	2014-2013
Revenues			
Program revenues:			
Charges for services	\$ 900,196	\$ 1,014,518	\$ (114,322)
Operating grants and contributions	11,365,463	10,071,285	1,294,178
General revenues:			
Property taxes	27,437,764	25,803,474	1,634,290
State foundation program	24,190,337	19,048,476	5,141,861
Investment earnings	86,510	111,080	(24,570)
Miscellaneous	44,768	85,047	(40,279)
Total Revenue	64,025,038	56,133,880	7,891,158
Expenses			
Instruction	30,391,603	27,647,378	2,744,225
Instructional resources and media services	556,210	560,562	(4,352)
Curriculum and staff development	386,487	334,030	52,457
Instructional leadership	1,427,129	1,377,871	49,258
School leadership	2,701,819	2,598,818	103,001
Guidance, counseling, and evaluation services	1,604,709	1,501,892	102,817
Health services	392,961	370,727	22,234
Student (pupil) transportation	3,378,133	3,205,427	172,706
Food services	3,453,898	2,950,102	503,796
Co-curricular/extracurricular activities	1,572,623	1,546,820	25,803
General administration	2,343,553	1,946,465	397,088
Plant maintenance and operations	5,423,135	5,094,858	328,277
Security and monitoring	415,378	391,459	23,919
Data processing services	946,702	930,920	15,782
Community services	146,507	66,813	79,694
Interest on long-term debt	3,398,838	3,750,238	(351,400)
Bond issuance costs and fees	122,066	161,223	(39,157)
Other intergovernmental charges	361,955	441,516	(79,561)
Total Expenses	59,023,706	54,877,119	4,146,587
Change in Net Position	5,001,332	1,256,761	3,744,571
Beginning net position	21,135,998	19,879,237	1,256,761
Ending Net Position	\$ 26,137,330	\$ 21,135,998	\$ 5,001,332

WALLER INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2014

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2014, the District's governmental funds reported a combined fund balance of \$16,678,330. This compares to a combined fund balance of \$13,165,577 at August 31, 2013. The fund balances in the general fund and debt service fund both increased due to an increase in local and state revenues.

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, 2014, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues exceeded budgeted revenues by \$703,173 and the actual expenditures were less than budgeted expenditures by \$854,736.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2014, 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, 2014, the District had a total of \$120,624,356 invested in capital assets such as land, buildings, and District equipment. This total includes \$131,789 invested during the fiscal year ended August 31, 2014.

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 \$76,900,000 in general obligation bonds outstanding versus \$80,930,000 last year. The net decrease is due to principal payments paid this fiscal year, totaling \$3,815,000. In addition, the District issued refunding bonds in the amount of \$5,525,000 to refund series 2004 building bonds.

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 (Continued)

For the Year Ended August 31, 2014

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS

The following factors were considered in establishing the District's budget for 2014-2015:

- Student enrollment for 2014-2015 is expected to remain approximately the same when compared to 2013-2014. District officials anticipate no significant change in the rate of attendance for the year 2015 compared to the year 2014; 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 2014-2015.
- The District's total tax rate remained the same as the previous year at \$1.44 per \$100 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 2014-2015.
- District officials anticipate that the fund balance for the general fund will not materially change for 2014-2015 compared to 2013-2014.

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, 2014

		1
Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 16,895,994
1120	Current Investments	5,877
1220	Property Taxes Receivable (Delinquent)	4,006,571
1230	Allowance for Uncollectible Taxes	(1,350,016)
1240	Due from Other Governments	917,331
1250	Accrued Interest	5,327
1410	Prepaid Items	538,783
Capital Assets:		
1510	Land	2,935,194
1520	Buildings and Improvements, Net	80,105,827
1530	Furniture and Equipment, Net	2,158,303
1000	Total Assets	106,219,190
DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Charges on Refunding	923,005
1700	Total Deferred Outflows of Resources	923,005
LIABILITIES:		
2110	Accounts Payable	307,404
2140	Interest Payable	147,213
2165	Accrued Liabilities	1,351,419
2180	Due to Other Governments	26,083
2300	Unearned Revenue	76
Noncurrent Liabilities:		
2501	Due Within One Year	4,050,000
2502	Due in More Than One Year	75,122,670
2000	Total Liabilities	81,004,865
NET POSITION:		
3200	Net Investment in Capital Assets	6,027,063
Restricted For:		
3820	Federal and State Programs	1,029,831
3850	Debt Service	3,777,101
3900	Unrestricted	15,303,335
3000	Total Net Position	\$ 26,137,330

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 30,391,603	\$ 13,686	\$ 5,394,781	\$ (24,983,136)
12	Instructional Resources and Media Services	556,210	--	33,646	(522,564)
13	Curriculum and Staff Development	386,487	--	66,567	(319,920)
21	Instructional Leadership	1,427,129	--	708,990	(718,139)
23	School Leadership	2,701,819	--	163,439	(2,538,380)
31	Guidance, Counseling, & Evaluation Services	1,604,709	--	147,477	(1,457,232)
33	Health Services	392,961	--	32,926	(360,035)
34	Student Transportation	3,378,133	--	515,802	(2,862,331)
35	Food Service	3,453,898	765,032	2,535,466	(153,400)
36	Cocurricular/Extracurricular Activities	1,572,623	121,478	95,131	(1,356,014)
41	General Administration	2,343,553	--	296,452	(2,047,101)
51	Facilities Maintenance and Operations	5,423,135	--	398,804	(5,024,331)
52	Security and Monitoring Services	415,378	--	25,127	(390,251)
53	Data Processing Services	946,702	--	57,269	(889,433)
61	Community Services	146,507	--	90,231	(56,276)
72	Interest on Long-term Debt	3,398,838	--	803,355	(2,595,483)
73	Bond Issuance Costs and Fees	122,066	--	--	(122,066)
99	Other Intergovernmental Charges	361,955	--	--	(361,955)
TG	Total Governmental Activities	<u>59,023,706</u>	<u>900,196</u>	<u>11,365,463</u>	<u>(46,758,047)</u>
TP	Total Primary Government	<u>\$ 59,023,706</u>	<u>\$ 900,196</u>	<u>\$ 11,365,463</u>	<u>(46,758,047)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				19,802,233
DT	Property Taxes, Levied for Debt Service				7,635,531
IE	Investment Earnings				86,510
GC	Grants and Contributions Not Restricted to Specific Programs				24,190,337
MI	Miscellaneous				44,768
TR	Total General Revenues				<u>51,759,379</u>
CN	Change in Net Position				5,001,332
NB	Net Position - Beginning				21,135,998
NE	Net Position - Ending				<u>\$ 26,137,330</u>

The accompanying notes are an integral part of this statement.

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

AUGUST 31, 2014

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>	\$ 12,171,558	\$ 3,694,249	\$ 1,030,189	\$ 16,895,996
1120 <i>Current Investments</i>	5,604	146	127	5,877
1220 <i>Taxes Receivable, Delinquent</i>	3,034,730	971,841	--	4,006,571
1230 <i>Allowance for Uncollectible Taxes</i>	(1,101,590)	(248,426)	--	(1,350,016)
1240 <i>Due from Other Governments</i>	623,600	77,380	216,351	917,331
1250 <i>Accrued Interest</i>	--	5,327	--	5,327
1260 <i>Due from Other Funds</i>	239,205	--	--	239,205
1410 <i>Prepaid Items</i>	538,783	--	--	538,783
1000 <i>Total Assets</i>	<u>15,511,890</u>	<u>4,500,517</u>	<u>1,246,667</u>	<u>21,259,074</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 307,404	\$ --	\$ --	\$ 307,404
2150 <i>Payroll Deductions & Withholdings</i>	12,104	--	--	12,104
2160 <i>Accrued Wages Payable</i>	1,339,315	--	--	1,339,315
2170 <i>Due to Other Funds</i>	22,855	--	216,351	239,206
2180 <i>Due to Other Governments</i>	26,083	--	--	26,083
2300 <i>Unearned Revenue</i>	--	--	76	76
2000 <i>Total Liabilities</i>	<u>1,707,761</u>	<u>--</u>	<u>216,427</u>	<u>1,924,188</u>
DEFERRED INFLOWS OF RESOURCES:				
<i>Unavailable Revenue - Property Taxes</i>	1,933,140	723,416	--	2,656,556
2600 <i>Total Deferred Inflows of Resources</i>	<u>1,933,140</u>	<u>723,416</u>	<u>--</u>	<u>2,656,556</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	1,029,831	1,029,831
3480 <i>Retirement of Long-Term Debt</i>	--	3,777,101	--	3,777,101
3490 <i>Other Restrictions of Fund Balance</i>	--	--	409	409
3600 <i>Unassigned</i>	11,870,989	--	--	11,870,989
3000 <i>Total Fund Balances</i>	<u>11,870,989</u>	<u>3,777,101</u>	<u>1,030,240</u>	<u>16,678,330</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,511,890</u>	<u>\$ 4,500,517</u>	<u>\$ 1,246,667</u>	<u>\$ 21,259,074</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, 2014*

Total fund balances - governmental funds balance sheet	\$ 16,678,330
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.	85,199,323
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,656,555
Payables for bond principal which are not due in the current period are not reported in the funds.	(77,499,781)
Payables for bond interest which are not due in the current period are not reported in the funds.	(147,213)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	<u>(749,885)</u>
Net position of governmental activities - Statement of Net Position	\$ <u>26,137,330</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, 2014

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>	\$ 20,029,619	\$ 7,634,050	\$ 768,853	\$ 28,432,522
5800 <i>State Program Revenues</i>	26,340,121	803,355	524,494	27,667,970
5900 <i>Federal Program Revenues</i>	667,872	--	7,219,958	7,887,830
5020 <i>Total Revenues</i>	<u>47,037,612</u>	<u>8,437,405</u>	<u>8,513,305</u>	<u>63,988,322</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	25,199,147	--	3,772,761	28,971,908
0012 <i>Instructional Resources and Media Services</i>	530,227	--	--	530,227
0013 <i>Curriculum and Staff Development</i>	322,319	--	46,114	368,433
0021 <i>Instructional Leadership</i>	695,613	--	664,849	1,360,462
0023 <i>School Leadership</i>	2,575,605	--	--	2,575,605
0031 <i>Guidance, Counseling, & Evaluation Services</i>	1,475,926	--	53,820	1,529,746
0033 <i>Health Services</i>	364,829	--	9,775	374,604
0034 <i>Student Transportation</i>	2,887,870	--	332,548	3,220,418
0035 <i>Food Service</i>	--	--	3,307,745	3,307,745
0036 <i>Cocurricular/Extracurricular Activities</i>	1,499,159	--	--	1,499,159
0041 <i>General Administration</i>	2,069,045	--	165,158	2,234,203
0051 <i>Facilities Maintenance and Operations</i>	5,070,015	--	100,095	5,170,110
0052 <i>Security and Monitoring Services</i>	395,974	--	--	395,974
0053 <i>Data Processing Services</i>	1,019,089	--	--	1,019,089
0061 <i>Community Services</i>	52,781	--	86,882	139,663
0071 <i>Principal on Long-term Debt</i>	--	3,815,000	--	3,815,000
0072 <i>Interest on Long-term Debt</i>	--	3,415,007	--	3,415,007
0073 <i>Bond Issuance Costs and Fees</i>	--	122,066	--	122,066
0074 <i>Payment to Escrow Agent</i>	--	5,882,204	--	5,882,204
0099 <i>Other Intergovernmental Charges</i>	361,955	--	--	361,955
6030 <i>Total Expenditures</i>	<u>44,519,554</u>	<u>13,234,277</u>	<u>8,539,747</u>	<u>66,293,578</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>2,518,058</u>	<u>(4,796,872)</u>	<u>(26,442)</u>	<u>(2,305,256)</u>
Other Financing Sources and (Uses):				
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	5,525,000	--	5,525,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	293,009	--	293,009
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>--</u>	<u>5,818,009</u>	<u>--</u>	<u>5,818,009</u>
1200 <i>Net Change in Fund Balances</i>	<u>2,518,058</u>	<u>1,021,137</u>	<u>(26,442)</u>	<u>3,512,753</u>
0100 <i>Fund Balances - Beginning</i>	9,352,931	2,755,964	1,056,682	13,165,577
3000 <i>Fund Balances - Ending</i>	<u>\$ 11,870,989</u>	<u>\$ 3,777,101</u>	<u>\$ 1,030,240</u>	<u>\$ 16,678,330</u>

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, 2014*

Net change in fund balances - total governmental funds	\$ 3,512,753
--	--------------

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

Capital outlays are not reported as expenses in the SOA.	131,789
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,581,555)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	42,982
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,815,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	48,197
(Increase) decrease in accrued interest from beginning of period to end of period.	(32,029)
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	5,882,204
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(5,525,000)
Bond premiums are reported in the funds but not in the SOA.	(293,009)
	<hr/>

Change in net position of governmental activities - Statement of Activities	\$ <u>5,001,332</u>
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The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2014

		Agency Fund
Data Control Codes		Student Activity
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 330,070
1000	Total Assets	<u>330,070</u>
LIABILITIES:		
Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 330,070
2000	Total Liabilities	<u>330,070</u>
NET POSITION:		
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

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WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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 ("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, 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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 funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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.

Debt Service Fund: This fund is used to account for tax revenues and for the payment of principal, interest and 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 of the related debt obligations have been met.

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

In addition, the District reports the following fund types:

Capital Projects Fund: This fund is used to account for revenues and expenditures 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 required to be budgeted on an annual basis, rather, expenditures of these funds are controlled by project budget.

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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, Basis of Accounting**

Government-wide 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.

3. **Financial Statement Amounts**

a. **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.

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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.

b. 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.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost 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 Lives</u>
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. 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 element, *deferred outflows of resources*, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in 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 reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 only has one item, which arises 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 revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

e. 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.

f. 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.

g. Use of Estimates

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

h. 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 insure accuracy in building a statewide database for policy development and funding plans.

i. 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 of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees 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 of Trustees. 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 of Trustees or by an official or body to which the Board of Trustees 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.

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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.

j. 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.

k. 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.

l. 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 function or segment. All taxes, including those dedicated for special purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
Expenditures in excess of appropriations in functions 41 and 51 of the General Fund.	As required, the District will amend the budget during the year and at year end in anticipation of final expenditures.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

C. 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, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$17,226,065 and the bank balance was \$17,871,980. The District's cash deposits at August 31, 2014 and during the year ended August 31, 2014 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, 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 Public Funds Investment Act ("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, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	\$ 5,876

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.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

At August 31, 2014, 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

Lone Star Investment Pool

The First Public (Lone Star Investment Pool or Lone Star) is a public funds investment pool operated under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended (the Act"). Lone Star is governed by trustees comprised of active participants in Lone Star. The Board of Trustees for Lone Star has the responsibility for adopting and monitoring compliance with the investment policy, of appointing investment officers, of overseeing the selection of an investment advisor, custodian, investment consultant, administrator and other service providers. Lone Star Investment Pool is rated "AAA" by Standard and Poor's.

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.

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.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2014

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.

D. Capital Assets

Capital asset activity for the year ended August 31, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,935,193	\$ --	\$ --	\$ 2,935,193
Total capital assets not being depreciated	2,935,193	--	--	2,935,193
<i>Capital assets being depreciated:</i>				
Buildings and improvements	108,674,092	--	--	108,674,092
Equipment	2,240,957	131,789	106,295	2,266,451
Vehicles	6,748,619	--	--	6,748,619
Total capital assets being depreciated	117,663,669	131,789	106,295	117,689,163
Less accumulated depreciation for:				
Buildings and improvements	(26,436,214)	(2,132,051)	--	(28,568,265)
Equipment	(1,491,732)	(137,145)	(100,029)	(1,528,848)
Vehicles	(5,021,825)	(306,094)	--	(5,327,919)
Total accumulated depreciation	(32,949,771)	(2,575,290)	(100,029)	(35,425,031)
Total capital assets being depreciated, net	84,713,898	(2,443,501)	6,266	82,264,131
Governmental activities capital assets, net	\$ 87,649,091	\$ (2,443,501)	\$ 6,266	\$ 85,199,324

Depreciation was charged to functions as follows:

Instruction	\$ 1,419,693
Instructional Resources and Media Services	25,983
Curriculum and Staff Development	18,054
Instructional Leadership	66,667
School Leadership	126,214
Guidance, Counseling, & Evaluation Services	74,963
Health Services	18,357
Student Transportation	157,715
Food Services	161,346
Extracurricular Activities	73,464
General Administration	109,350
Plant Maintenance and Operations	253,025
Security and Monitoring Services	19,404
Data Processing Services	44,210
Community Services	6,844
	<u>\$ 2,575,290</u>

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2014, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	\$ 216,350	Short-term loans
General Fund	Payroll Fund	22,855	Short-term loans
	Total	<u>\$ 239,205</u>	

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

2. Transfers To and From Other Funds

There were no transfers to and from other funds at August 31, 2014.

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

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, 2014, are as follows:

	Original Issue	Beginning Balances	Net Changes	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds Series 2004	\$ 26,075,000	\$ 7,515,000	\$ (7,515,000)	\$ --	\$ --
Bonds Series 2005	7,725,000	7,090,000	(85,000)	7,005,000	85,000
Bonds Series 2008	49,290,000	46,010,000	(1,015,000)	44,995,000	1,055,000
Refunding Bonds Series 2010	12,255,000	11,345,000	(710,000)	10,635,000	745,000
Refunding Bonds, Series 2012	9,180,000	8,970,000	(230,000)	8,740,000	235,000
Refunding Bonds, Series 2013	5,525,000	--	5,525,000	5,525,000	1,930,000
Total governmental activities	<u>110,050,000</u>	<u>80,930,000</u>	<u>(4,030,000)</u>	<u>76,900,000</u>	<u>4,050,000</u>
Other liabilities:					
Bond Premiums	--	1,350,380	172,405	1,522,785	--
Accreted interest on CAB's	--	705,513	44,372	749,885	--
Total governmental activities	<u>\$ 110,050,000</u>	<u>\$ 82,985,893</u>	<u>\$ (3,813,223)</u>	<u>\$ 79,172,670</u>	<u>\$ 4,050,000</u>
Long-term liabilities due in more than one year				<u>\$ 75,122,670</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 and the interest rates on the bonds ranged from 1.50% to 5.50%. Interest expense was \$3,415,006 for the year ended August 31, 2014.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

The District issued the Waller Independent School District Unlimited Tax Refunding Bonds, Series 2013, dated November 15, 2013, in the amount of \$5,525,000 of general obligation refunding bonds for a refunding of \$5,740,000 of the remaining outstanding long-term debt obligations for Series 2004 bonds. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$142,204. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is shorter than the life of the old debt. The transaction also resulted in an economic gain of \$706,113 and a reduction of \$844,748 in future debt service payments.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2014, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 4,050,000	\$ 3,336,547	\$ 7,386,547
2016	3,065,000	4,069,109	7,134,109
2017	4,010,000	3,147,181	7,157,181
2018	4,140,000	3,013,491	7,153,491
2019	4,315,000	2,860,088	7,175,088
2020-2024	19,840,000	11,718,750	31,558,750
2025-2029	15,235,000	7,732,038	22,967,038
2030-2034	12,740,000	4,442,625	17,182,625
2035-2037	9,505,000	803,413	10,308,413
Totals	<u>\$ 76,900,000</u>	<u>\$ 41,123,241</u>	<u>\$ 118,023,241</u>

3. Advance Refunding of Debt

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2014, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
Series 2004 refunded by Series 2013	\$ 5,740,000

G. Commitments Under Noncapitalized Leases

The District had no future commitments under operating (noncapitalized) lease agreements for facilities and equipment.

Rental Expenditures in 2014	\$ <u>141,117</u>
-----------------------------	-------------------

H. Risk Management

The District is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, 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.

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

I. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS website, www.trs.state.tx.us, under the TRS Publications heading; by calling the TRS Communications Department at 1-800-223-8778; or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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. State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013 and 2012, and a state contribution rate of 6.8% for fiscal year 2014, 6.4% for fiscal year 2013, and 6.0% for fiscal year 2012. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2014, 2013 and 2012 were \$2,163,158, \$2,029,739 and \$1,935,988, respectively. The District paid additional state contributions for the years ending August 31, 2014, 2013 and 2012 in the amount of \$537,889, \$516,278 and \$462,053, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

J. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1.0% for fiscal year 2014, 0.5% for fiscal year 2013 and 1.0% for fiscal year 2012 and the active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. For the years ended August 31, 2014, 2013, and 2012, the State's contributions to TRS-Care were \$31,382, \$15,419, and \$33,770, respectively; the active member contributions were \$219,696, \$206,145, and \$196,624, respectively; and the District's contributions were \$185,896, \$174,431, and \$166,374, respectively; which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2014, 2013, and 2012, the subsidy payments received by TRS-Care on behalf of the District were \$89,560, \$84,951, and \$79,409, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. 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 third party administrator is renewable September 1, 2014, and terms of coverage and premium costs are included in the contractual provisions.

L. 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, 2014.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

M. Workers' Compensation

During the year ended August 31, 2014, 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, 2014, 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.

N. Unemployment Compensation

During the year ended August 31, 2014, 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 each month 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, 2014, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. This 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, 2013 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

O. Subsequent Events

The District issued the Waller Independent School District Unlimited Tax Refunding Bonds, Series 2014, dated September 1, 2014, in the amount of \$8,500,000. Proceeds from the sale of the bonds will be used to refund a portion of the District's Series 2008 bonds and to pay the costs associated with the issuance of the bonds.

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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
EXHIBIT G-1
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
	REVENUES:				
5700	<i>Local and Intermediate Sources</i>	\$ 17,908,247	\$ 19,888,922	\$ 20,029,619	\$ 140,697
5800	<i>State Program Revenues</i>	23,120,937	25,835,871	26,340,121	504,250
5900	<i>Federal Program Revenues</i>	150,000	609,646	667,872	58,226
5020	Total Revenues	41,179,184	46,334,439	47,037,612	703,173
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	<i>Instruction</i>	24,170,250	25,679,618	25,199,147	480,471
0012	<i>Instructional Resources and Media Services</i>	539,550	570,343	530,227	40,116
0013	<i>Curriculum and Staff Development</i>	321,400	333,225	322,319	10,906
	Total Instruction & Instr. Related Services	25,031,200	26,583,186	26,051,693	531,493
	Instructional and School Leadership:				
0021	<i>Instructional Leadership</i>	623,075	695,967	695,613	354
0023	<i>School Leadership</i>	2,308,650	2,576,079	2,575,605	474
	Total Instructional & School Leadership	2,931,725	3,272,046	3,271,218	828
	Support Services - Student (Pupil):				
0031	<i>Guidance, Counseling and Evaluation Services</i>	1,326,070	1,476,326	1,475,926	400
0033	<i>Health Services</i>	338,700	365,131	364,829	302
0034	<i>Student (Pupil) Transportation</i>	3,056,825	3,217,996	2,887,870	330,126
0036	<i>Cocurricular/Extracurricular Activities</i>	1,552,943	1,598,073	1,499,159	98,914
	Total Support Services - Student (Pupil)	6,274,538	6,657,526	6,227,784	429,742
	Administrative Support Services:				
0041	<i>General Administration</i>	1,665,900	2,011,709	2,069,045	* (57,336)
	Total Administrative Support Services	1,665,900	2,011,709	2,069,045	(57,336)
	Support Services - Nonstudent Based:				
0051	<i>Plant Maintenance and Operations</i>	4,840,800	4,927,745	5,070,015	* (142,270)
0052	<i>Security and Monitoring Services</i>	394,750	396,273	395,974	299
0053	<i>Data Processing Services</i>	824,400	1,019,713	1,019,089	624
	Total Support Services - Nonstudent Based	6,059,950	6,343,731	6,485,078	(141,347)
	Ancillary Services:				
0061	<i>Community Services</i>	52,650	56,092	52,781	3,311
	Total Ancillary Services	52,650	56,092	52,781	3,311
0099	<i>Other Intergovernmental Charges</i>	450,000	450,000	361,955	88,045
	Total Intergovernmental Charges	450,000	450,000	361,955	88,045
6030	Total Expenditures	42,465,963	45,374,290	44,519,554	854,736
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(1,286,779)	960,149	2,518,058	1,557,909
1200	Net Change in Fund Balance	(1,286,779)	960,149	2,518,058	1,557,909
0100	Fund Balance - Beginning	9,352,931	9,352,931	9,352,931	--
3000	Fund Balance - Ending	\$ 8,066,152	\$ 10,313,080	\$ 11,870,989	\$ 1,557,909

Notes to Required Supplementary Information:

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

2. * Expenditures exceeded appropriations at the legal level of control.

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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, 2014

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>	\$ 1,029,907	\$ 282	\$ 1,030,189
1120 <i>Current Investments</i>	--	127	127
1240 <i>Due from Other Governments</i>	216,351	--	216,351
1000 <i>Total Assets</i>	<u>1,246,258</u>	<u>409</u>	<u>1,246,667</u>
LIABILITIES:			
Current Liabilities:			
2170 <i>Due to Other Funds</i>	\$ 216,351	\$ --	\$ 216,351
2300 <i>Unearned Revenue</i>	76	--	76
2000 <i>Total Liabilities</i>	<u>216,427</u>	<u>--</u>	<u>216,427</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	1,029,831	--	1,029,831
3490 <i>Other Restrictions of Fund Balance</i>	--	409	409
3000 <i>Total Fund Balances</i>	<u>1,029,831</u>	<u>409</u>	<u>1,030,240</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 1,246,258</u>	<u>\$ 409</u>	<u>\$ 1,246,667</u>

WALLER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:				
5700	Local and Intermediate Sources	\$ 768,852	\$ 1	\$ 768,853
5800	State Program Revenues	524,494	--	524,494
5900	Federal Program Revenues	7,219,958	--	7,219,958
5020	Total Revenues	<u>8,513,304</u>	<u>1</u>	<u>8,513,305</u>
EXPENDITURES:				
Current:				
0011	Instruction	3,772,761	--	3,772,761
0013	Curriculum and Staff Development	46,114	--	46,114
0021	Instructional Leadership	664,849	--	664,849
0031	Guidance, Counseling, & Evaluation Services	53,820	--	53,820
0033	Health Services	9,775	--	9,775
0034	Student Transportation	332,548	--	332,548
0035	Food Service	3,307,745	--	3,307,745
0041	General Administration	165,158	--	165,158
0051	Facilities Maintenance and Operations	100,095	--	100,095
0061	Community Services	86,882	--	86,882
6030	Total Expenditures	<u>8,539,747</u>	<u>--</u>	<u>8,539,747</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(26,443)	1	(26,442)
1200	Net Change in Fund Balances	<u>(26,443)</u>	<u>1</u>	<u>(26,442)</u>
0100	Fund Balances - Beginning	1,056,274	408	1,056,682
3000	Fund Balances - Ending	<u>\$ 1,029,831</u>	<u>\$ 409</u>	<u>\$ 1,030,240</u>

WALLER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2014

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	Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ 1,029,831
1240	Due from Other Governments	74,890	21,124	--	--
1000	Total Assets	<u>74,890</u>	<u>21,124</u>	<u>--</u>	<u>1,029,831</u>
LIABILITIES:					
Current Liabilities:					
2170	Due to Other Funds	\$ 74,890	\$ 21,124	\$ --	\$ --
2300	Unearned Revenue	--	--	--	--
2000	Total Liabilities	<u>74,890</u>	<u>21,124</u>	<u>--</u>	<u>--</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	1,029,831
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,029,831</u>
4000	Total Liabilities and Fund Balances	<u>\$ 74,890</u>	<u>\$ 21,124</u>	<u>\$ --</u>	<u>\$ 1,029,831</u>

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	265 21st Century Community Learning Centers	289 Summer School LEP
\$ --	\$ --	\$ --	\$ --	\$ --
--	17,613	139	102,585	--
--	17,613	139	102,585	--
\$ --	\$ 17,613	\$ 139	\$ 102,585	\$ --
--	--	--	--	--
--	17,613	139	102,585	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ 17,613	\$ 139	\$ 102,585	\$ --

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WALLER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2014

Data Control Codes		397 Advanced Placement Incentives	410 State Textbook Fund	429 Ready to Read License Plates	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ 76	\$ --	\$ 1,029,907
1240	Due from Other Governments	--	--	--	216,351
1000	Total Assets	--	76	--	1,246,258
LIABILITIES:					
Current Liabilities:					
2170	Due to Other Funds	\$ --	\$ --	\$ --	\$ 216,351
2300	Unearned Revenue	--	76	--	76
2000	Total Liabilities	--	76	--	216,427
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	1,029,831
3000	Total Fund Balances	--	--	--	1,029,831
4000	Total Liabilities and Fund Balances	\$ --	\$ 76	\$ --	\$ 1,246,258

WALLER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2014

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	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 768,852
5800	State Program Revenues	--	--	--	33,889
5900	Federal Program Revenues	1,364,232	762,446	6,012	2,578,656
5020	Total Revenues	<u>1,364,232</u>	<u>762,446</u>	<u>6,012</u>	<u>3,381,397</u>
EXPENDITURES:					
Current:					
0011	Instruction	1,309,749	680,353	6,012	--
0013	Curriculum and Staff Development	37,720	7,917	--	--
0021	Instructional Leadership	2,070	20,356	--	--
0031	Guidance, Counseling, & Evaluation Services	--	53,820	--	--
0033	Health Services	--	--	--	--
0034	Student Transportation	--	--	--	--
0035	Food Service	--	--	--	3,307,745
0041	General Administration	--	--	--	--
0051	Facilities Maintenance and Operations	--	--	--	100,095
0061	Community Services	14,693	--	--	--
6030	Total Expenditures	<u>1,364,232</u>	<u>762,446</u>	<u>6,012</u>	<u>3,407,840</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	--	(26,443)
1200	Net Change in Fund Balances	--	--	--	(26,443)
0100	Fund Balances - Beginning	--	--	--	1,056,274
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,029,831</u>

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	265 21st Century Community Learning Centers	289 Summer School LEP
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
59,215	169,789	136,111	2,139,045	4,452
<u>59,215</u>	<u>169,789</u>	<u>136,111</u>	<u>2,139,045</u>	<u>4,452</u>
59,215	9,219	135,126	1,078,507	4,452
--	--	--	--	--
--	159,570	--	482,853	--
--	--	--	--	--
--	--	--	9,775	--
--	--	--	332,548	--
--	--	--	--	--
--	1,000	985	163,173	--
--	--	--	--	--
--	--	--	72,189	--
<u>59,215</u>	<u>169,789</u>	<u>136,111</u>	<u>2,139,045</u>	<u>4,452</u>
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ --	\$ --	\$ --	\$ --	\$ --
<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>

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WALLER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	397 Advanced Placement Incentives	410 State Textbook Fund	429 Ready to Read License Plates	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 768,852
5800 <i>State Program Revenues</i>	450	490,128	27	524,494
5900 <i>Federal Program Revenues</i>	--	--	--	7,219,958
5020 <i>Total Revenues</i>	<u>450</u>	<u>490,128</u>	<u>27</u>	<u>8,513,304</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	--	490,128	--	3,772,761
0013 <i>Curriculum and Staff Development</i>	450	--	27	46,114
0021 <i>Instructional Leadership</i>	--	--	--	664,849
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--	53,820
0033 <i>Health Services</i>	--	--	--	9,775
0034 <i>Student Transportation</i>	--	--	--	332,548
0035 <i>Food Service</i>	--	--	--	3,307,745
0041 <i>General Administration</i>	--	--	--	165,158
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	100,095
0061 <i>Community Services</i>	--	--	--	86,882
6030 <i>Total Expenditures</i>	<u>450</u>	<u>490,128</u>	<u>27</u>	<u>8,539,747</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	--	(26,443)
1200 <i>Net Change in Fund Balances</i>	--	--	--	(26,443)
0100 <i>Fund Balances - Beginning</i>	--	--	--	1,056,274
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,029,831</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, 2014*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised	
	Maintenance		Debt Service		Value For School Tax Purposes	
2005 and Prior Years	\$	Various	\$	Various	\$	Various
2006		1.50		.38		1,070,599,285
2007		1.37		.32		1,212,721,611
2008		1.04		.24		1,313,011,057
2009		1.04		.38		1,477,579,819
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 (School Year Under Audit)		1.04		.40		1,892,167,836

1000 Totals

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

10 Beginning Balance 9/1/13	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/14
\$ 805,317	\$ --	\$ 41,273	\$ 5,503	\$ (164,857)	\$ 593,683
216,169	--	9,600	2,432	(2,267)	201,869
182,786	--	11,056	2,582	(2,213)	166,934
167,601	--	12,217	2,819	(2,250)	150,314
256,728	--	13,935	5,092	679	238,381
299,393	--	40,492	15,574	25,282	268,609
399,036	--	78,118	30,045	21,083	311,956
551,222	--	159,955	61,521	54,991	384,738
1,115,994	--	417,163	160,447	51,503	589,887
--	27,247,217	18,883,957	7,263,060	--	1,100,199
<u>\$ 3,994,246</u>	<u>\$ 27,247,217</u>	<u>\$ 19,667,766</u>	<u>\$ 7,549,076</u>	<u>\$ (18,050)</u>	<u>\$ 4,006,571</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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WALLER INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-2****FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF AUGUST 31, 2014**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2014 (Exhibit C-1 object 3000 for the General Fund only)	\$ 11,870,989
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	5,937,825
7	Estimate of two months' average cash disbursements during the fiscal year	8,830,182
8	Estimate of delayed payments from state sources (58XX)	--
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	14,768,007
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ (2,897,018)

If Item 13 is a Positive NumberExplanation of need for and/or projected use of net positive
Unassigned General Fund Fund Balance:

WALLER INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT J-3

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ 745,780	\$ 768,852	\$ 23,072
5800	<i>State Program Revenues</i>	33,608	33,889	281
5900	<i>Federal Program Revenues</i>	2,499,000	2,578,656	79,656
5020	Total Revenues	<u>3,278,388</u>	<u>3,381,397</u>	<u>103,009</u>
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	<i>Food Services</i>	3,328,188	3,307,745	20,443
	Total Support Services - Student (Pupil)	<u>3,328,188</u>	<u>3,307,745</u>	<u>20,443</u>
	Support Services - Nonstudent Based:			
0051	<i>Plant Maintenance and Operations</i>	120,900	100,095	20,805
	Total Support Services - Nonstudent Based	<u>120,900</u>	<u>100,095</u>	<u>20,805</u>
6030	Total Expenditures	<u>3,449,088</u>	<u>3,407,840</u>	<u>41,248</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(170,700)	(26,443)	144,257
1200	Net Change in Fund Balance	<u>(170,700)</u>	<u>(26,443)</u>	<u>144,257</u>
0100	Fund Balance - Beginning	1,056,274	1,056,274	--
3000	Fund Balance - Ending	<u>\$ 885,574</u>	<u>\$ 1,029,831</u>	<u>\$ 144,257</u>

Notes to Other Supplementary Information:

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

WALLER INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5700	Local and Intermediate Sources	\$ 6,842,480	\$ 7,634,050	\$ 791,570
5800	State Program Revenues	384,024	803,355	419,331
5020	Total Revenues	<u>7,226,504</u>	<u>8,437,405</u>	<u>1,210,901</u>
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	3,815,000	3,815,000	--
0072	Interest on Long-Term Debt	3,494,519	3,415,007	79,512
0073	Bond Issuance Costs and Fees	122,066	122,066	--
0074	Payment to Escrow Agent	5,882,204	5,882,204	--
	Total Debt Service	<u>13,313,789</u>	<u>13,234,277</u>	<u>79,512</u>
6030	Total Expenditures	<u>13,313,789</u>	<u>13,234,277</u>	<u>79,512</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(6,087,285)</u>	<u>(4,796,872)</u>	<u>1,131,389</u>
Other Financing Sources (Uses):				
7911	Capital-Related Debt Issued (Regular Bonds)	--	5,525,000	5,525,000
7916	Premium or Discount on Issuance of Bonds	--	293,009	293,009
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>5,818,009</u>	<u>5,818,009</u>
1200	Net Change in Fund Balance	<u>(6,087,285)</u>	<u>1,021,137</u>	<u>6,949,398</u>
0100	Fund Balance - Beginning	2,755,964	2,755,964	--
3000	Fund Balance - Ending	<u>\$ (3,331,321)</u>	<u>\$ 3,777,101</u>	<u>\$ 6,949,398</u>

Notes to Other Supplementary Information:

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

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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 the
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, each major fund, and the aggregate remaining fund information of Waller Independent School District, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise Waller Independent School District's basic financial statements, and have issued our report thereon dated December 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waller Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waller Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Waller Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 Waller Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Partners

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Stephanie E. Harris, CPA
Nathan Krupke, CPA

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Waller Independent School District
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*
Page 2 of 2

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,

A stylized, cursive signature of "Belt Harris Pechacek, LLLP" in a dark, textured font.

Belt Harris Pechacek, LLLP
Certified Public Accountants
Bellville, Texas
December 18, 2014

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Independent Auditors' Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Trustees of the
Waller Independent School District:

Report on Compliance for Each Major Federal Program

We have audited Waller Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Waller Independent School District's major federal programs for the year ended August 31, 2014. Waller Independent School 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Waller Independent School 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Waller Independent School 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 Waller Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Waller Independent School 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, 2014.

Partners

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Stephanie E. Harris, CPA
Nathan Krunke, CPA

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Report on Internal Control Over Compliance

Management of Waller Independent School 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 Waller Independent School 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 OMB Circular A-133, 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 Waller Independent School 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

The image shows a stylized, cursive signature of "Belt Harris Pechacek, LLLP". The letters are large and ornate, with the first letters of each name being particularly prominent.

Belt Harris Pechacek, LLLP
Certified Public Accountants
Bellville, Texas
December 18, 2014

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WALLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014

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 section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA-B Formula
84.287	Title IV, Part B, 21st Century Community Learning Centers

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

WALLER INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

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

WALLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	14610101237904	\$ 1,364,232
<i>IDEA-B Formula *</i>	84.027	146600012379046600	762,446
<i>Career and Technical - Basic Grant</i>	84.048	14420006237904	59,215
<i>IDEA-B Preschool *</i>	84.173	146610012379046610	6,012
<i>Title IV Part B21st Century Community Learning Centers</i>	84.287	146950167110041	1,610,617
<i>Title IV Part B21st Century Community Learning Centers</i>	84.287	156950167110041	45,282
Total CFDA Number 84.287			<u>1,655,899</u>
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	14671001237904	136,111
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	14694501237904	169,789
<i>Summer School LEP</i>	84.369	69551302	4,452
Total Passed Through State Department of Education			<u>4,158,156</u>
Passed Through Harris County Department of Education:			
<i>Title IV Part B21st Century Community Learning Centers</i>	84.287	146950167110020	516,631
<i>Title IV Part B21st Century Community Learning Centers</i>	84.287	156950167110020	9,203
Total CFDA Number 84.287			<u>525,834</u>
Total Passed Through Harris County Department of Education:			<u>525,834</u>
Total U. S. Department of Education			<u>4,683,990</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401401	600,843
National School Lunch Program (Non-cash) *	10.555	71301401	1,768,698
Commodity Supplemental Food Program (Non-cash) *	10.565	237-904	209,115
Total Passed Through State Department of Education			<u>2,578,656</u>
Total U. S. Department of Agriculture			<u>2,578,656</u>
FEDERAL COMMUNICATIONS COMMISSION			
Direct Program:			
Universal E-Rate	32.00	237-904	159,646
Total Federal Communications Commission			<u>159,646</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 7,422,292</u></u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

Reconciliation of Federal Revenue:	
Federal revenue per SEFA	\$ 7,422,292
SHARS Reimbursement- General Fund	<u>465,539</u>
Total federal revenue per Exhibit C-2	<u><u>\$ 7,887,830</u></u>

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Waller Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

WALLER INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2014*

<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 default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - 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?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 749,885