

**WALLER INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL  
REPORT FOR THE YEAR ENDED**

**AUGUST 31, 2019**

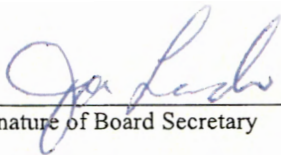
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CERTIFICATE OF BOARD

Waller Independent School District      Waller      237-904  
Name of School District      County      Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)   X   approved        disapproved for the year ended August 31, 2019 at a meeting of the Board of Trustees of such school district on the 9th of December 2019.

  
\_\_\_\_\_  
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)

# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT, INC.

December 9, 2019

### Independent Auditor's Report

Waller Independent School District  
Waller, Texas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Waller Independent School District as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Waller Independent School District's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Waller Independent School District, as of August 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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MITCHELL@MTFCPAS.COM

## ***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 on pages 4-9 and 43, 60-61 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Waller Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Waller Independent School District's internal control over financial reporting and compliance.

*Mitchell T Fontenote CPA, Inc.*

Port Neches, Texas

In this section of the Annual Financial Report, we, the managers of the Waller Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2019. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements that begin on page 10.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$6,926,360 at August 31, 2019.
- During the year, the District's expenses were \$582,827 more than the \$93,309,798 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$9,817,687. Of this amount, \$9,110,311 is for unrestricted use by the District.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They include the Statement of Net Position and the Statement of Activities that provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The *Statement of Activities* presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide detailed information about the District's most significant funds, *not* the District as a whole.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

## OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

The District has the following kinds of funds:

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds organized according to their type. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the District's most significant funds. The District's major governmental fund is the General Fund. Data for the remaining governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The Texas Education Agency also requires the District to present a budgetary comparison statement for one of its special revenue funds (food service) and the debt service fund.

- **Proprietary funds.** These funds include the enterprise fund. The District's vending machine fund activity is reported in the enterprise fund.
- **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 20.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-42 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 43-51 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental activities.

The District's combined net position were \$6,926,360 at August 31, 2019. (See Table I)

**Table I**  
**Waller Independent School District**  
**Net Position**

	Governmental Activities			Business Type		
	2019	2018	Change	2019	2018	Change
Current and Other Assets	\$ 33,014,403	\$ 34,329,936	\$ (1,315,533)	\$ 15,835	\$ 42,707	\$ (26,872)
Capital Assets	142,179,853	146,324,020	(4,144,167)	-	-	-
Total Assets	175,194,256	180,653,956	(5,459,700)	15,835	42,707	(26,872)
Deferred Charges on Refunding	3,550,521	3,892,002	(341,481)	-	-	-
Deferred Outflow - Pension	15,088,621	4,233,090	10,855,531	-	-	-
Deferred Outflow - OPEB	6,095,438	394,634	5,700,804	-	-	-
Total Deferred Outflows of Resources	24,734,580	8,519,726	16,214,854	-	-	-
Long-term Liabilities	178,744,691	166,906,624	11,838,067	-	-	-
Other Liabilities	3,580,590	3,595,358	(14,768)	-	-	-
Total Liabilities	182,325,281	170,501,982	11,823,299	-	-	-
Deferred Inflow - Pension	1,750,556	2,127,999	(377,443)	-	-	-
Deferred Inflow - OPEB	8,942,474	9,077,221	(134,747)	-	-	-
Total Deferred Inflow of Resources	10,693,030	11,205,220	(512,190)	-	-	-
Net Position:						
Net Investment in Capital Assets	149,650,193	18,646,441	131,003,752	-	-	-
Restricted	16,127,149	10,731,313	5,395,836	-	-	-
Unrestricted	(158,866,817)	(21,911,274)	(136,955,543)	15,835	42,707	(26,872)
Total Net Position	\$ 6,910,525	\$ 7,466,480	(555,955)	\$ 15,835	\$ 42,707	(26,872)

Approximately \$131 million of the District's net position represent investments in capital assets net of related debt.

**Changes in net position.** The Districts total revenues were \$93 million. A portion, 55 percent, of the District's revenue comes from local property taxes, 34 percent comes from grants and contributions, while only 9 percent relates to charges for services and operating grants, and the remaining 2 percent relates to investment earnings and other miscellaneous revenue.

Total Cost of all programs and services was \$93,774,113. The net position of the District's governmental activities for the current year decreased by \$555,955 (see Table II on page 7 of this report).



WALLER INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

Key elements of the governmental activities of the District are reflected in the following table.

**Table II**  
**Waller Independent School District**  
**Changes in Net Position**

	Governmental Activities			Business-Type Activities		
	2019	2018	Change	2019	2018	Change
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,506,410	\$ 1,050,737	\$ 455,673	\$ 91,640	\$ 113,289	\$ (21,649)
Operating Grants and Contributions	7,083,705	(1,265,127)	8,348,832	-	1,391	(1,391)
General Revenues:						
Property Taxes	50,944,763	44,596,381	6,348,382	-	-	-
State Aid - Formula Grants	32,136,433	28,251,300	3,885,133	-	-	-
Investment Earnings	742,522	425,485	317,037	-	-	-
Miscellaneous	804,325	241,401	562,924	-	-	-
Total Revenue	<u>93,218,158</u>	<u>73,300,177</u>	<u>19,917,981</u>	<u>91,640</u>	<u>114,680</u>	<u>(23,040)</u>
Expenses:						
Instruction	49,330,711	32,595,213	(16,735,498)	-	-	-
Instructional Resources and Media Services	780,252	460,695	(319,557)	-	-	-
Curriculum/Instructional Development	987,109	492,358	(494,751)	-	-	-
Instructional Leadership	3,455,632	1,765,602	(1,690,030)	-	-	-
School Leadership	4,692,588	2,619,101	(2,073,487)	-	-	-
Guidance and Counseling Services	3,734,957	1,716,450	(2,018,507)	-	-	-
Health Services	477,338	329,340	(147,998)	-	-	-
Student (Pupil) Transportation	4,772,924	3,542,548	(1,230,376)	-	-	-
Food Services	4,282,995	2,826,236	(1,456,759)	-	-	-
Cocurricular/Extracurricular Activities	2,184,841	1,341,797	(843,044)	-	-	-
General Administration	3,283,763	2,232,398	(1,051,365)	-	-	-
Plant Maintenance and Operations	7,920,416	7,245,561	(674,855)	-	-	-
Security and Monitoring Services	537,864	553,529	15,665	-	-	-
Data Processing Services	2,216,774	1,483,403	(733,371)	-	-	-
Community Services	94,940	68,954	(25,986)	-	-	-
Debt Services - Interest on Long-Term Debt	4,482,105	4,802,974	320,869	-	-	-
Debt Services - Bond Issuance Cost and Fees	34,351	24,975	(9,376)	-	-	-
Other Intergovernmental Charges	504,553	503,129	(1,424)	118,512	103,042	(15,470)
Total Expenses Governmental Activities	<u>93,774,113</u>	<u>64,604,263</u>	<u>(29,169,850)</u>	<u>118,512</u>	<u>103,042</u>	<u>(15,470)</u>
Increase (Decrease) in Net Position	<u>(555,955)</u>	<u>8,695,914</u>	<u>(9,251,869)</u>	<u>(26,872)</u>	<u>11,638</u>	<u>(38,510)</u>
Net Position - September 1 (Beginning)	<u>7,466,480</u>	<u>(1,229,434)</u>	<u>8,695,914</u>	<u>42,707</u>	<u>31,069</u>	<u>11,638</u>
Net Position - August 31 (Ending)	<u>\$ 6,910,525</u>	<u>\$ 7,466,480</u>	<u>\$ (555,955)</u>	<u>\$ 15,835</u>	<u>\$ 42,707</u>	<u>\$ (26,872)</u>

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented on page 13) reported a combined fund balance of \$26 million, which is an increase from last year.

Over the course of the year, the Board of Trustees revised the District's budget a number of times. These budget items fall into three categories. The first category includes amendments and supplemental appropriations that were provided shortly after the school year began. The second category involved moving funds from program areas that did not need or use all of the resources originally appropriated to them. The third category involved changes in state program revenues.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

There were budget amendments for the 2018-2019 school year required to meet various needs throughout the District approved by the Board of Trustees.

## **CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

**Capital Assets.** At August 31, 2019 the District had \$142 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, furniture and equipment used for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$4,144,166 (including additions and deductions) over last year. Additional details on capital assets can be found in the notes to the financial statements.

**Long-Term Debt.** At year-end, the District had \$114 million in general obligation debt at a coupon interest rate of 1.5-5.0% outstanding at year-end. The District's general obligation bonds carried the highest possible rating, according to national rating agencies. Additional details on long-term debt can be found in the notes to the financial statements.

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

The District's elected and appointed officials considered many factors when setting the fiscal-year 2019 budget and tax rate. One of those factors continues to be the economy and the unknown election results and the increasing of the local homestead exemption that will decrease the district's property tax. The District's property values have steadily increased and the student population has likewise steadily increased causing need for additional teaching staff, instructional support staff and related instructional resources. These indicators were taken into account when adopting the General Fund budget for 2019. The District's budgetary General Fund balance is expected to stay the same by the close of 2019-2020 school year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Mike Marcus, CPA, Assistant Superintendent for Finance at (936) 931-0314.

## BASIC FINANCIAL STATEMENTS

WALLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2019

EXHIBIT A-1

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 6,843,145	\$ 15,835	\$ 6,858,980
1120 Current Investments	20,275,643	-	20,275,643
1210 Property Taxes - Current	1,340,295	-	1,340,295
1220 Property Taxes - Delinquent	2,560,965	-	2,560,965
1230 Allowance for Uncollectible Taxes	(120,863)	-	(120,863)
1240 Due from Other Governments	1,453,027	-	1,453,027
1300 Inventories	77,371	-	77,371
1410 Prepayments	584,819	-	584,819
Capital Assets:			
1510 Land	7,314,104	-	7,314,104
1520 Buildings, Net	129,475,025	-	129,475,025
1530 Furniture and Equipment, Net	5,390,724	-	5,390,724
1000 Total Assets	<u>175,194,256</u>	<u>15,835</u>	<u>175,210,091</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
1701 Deferred Charge for Refunding	3,550,521	-	3,550,521
1705 Deferred Outflow Related to TRS Pension	15,088,621	-	15,088,621
1706 Deferred Outflow Related to TRS OPEB	6,095,438	-	6,095,438
1700 Total Deferred Outflows of Resources	<u>24,734,580</u>	<u>-</u>	<u>24,734,580</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	178,911	-	178,911
2140 Interest Payable	152,700	-	152,700
2160 Accrued Wages Payable	3,184,251	-	3,184,251
2180 Due to Other Governments	15,621	-	15,621
2300 Unearned Revenue	49,107	-	49,107
Noncurrent Liabilities:			
2501 Due Within One Year	5,075,000	-	5,075,000
2502 Due in More Than One Year	121,606,906	-	121,606,906
2540 Net Pension Liability (District's Share)	23,783,872	-	23,783,872
2545 Net OPEB Liability (District's Share)	28,278,913	-	28,278,913
2000 Total Liabilities	<u>182,325,281</u>	<u>-</u>	<u>182,325,281</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2605 Deferred Inflow Related to TRS Pension	1,750,556	-	1,750,556
2606 Deferred Inflow Related to TRS OPEB	8,942,474	-	8,942,474
2600 Total Deferred Inflows of Resources	<u>10,693,030</u>	<u>-</u>	<u>10,693,030</u>
<b>NET POSITION</b>			
3200 Net Investment in Capital Assets	149,650,193	-	149,650,193
Restricted:			
3820 Restricted for Federal and State Programs	1,136,418	-	1,136,418
3850 Restricted for Debt Service	11,724,801	-	11,724,801
3860 Restricted for Capital Projects	3,265,930	-	3,265,930
3900 Unrestricted	(158,866,817)	15,835	(158,850,982)
3000 Total Net Position	<u>\$ 6,910,525</u>	<u>\$ 15,835</u>	<u>\$ 6,926,360</u>

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

WALLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 49,330,711	\$ 537,749	\$ 2,495,206
12 Instructional Resources and Media Services	780,252	-	-
13 Curriculum and Instructional Staff Development	987,109	-	18,662
21 Instructional Leadership	3,455,632	-	754,596
23 School Leadership	4,692,588	-	4,245
31 Guidance, Counseling and Evaluation Services	3,734,957	-	494,813
33 Health Services	477,338	-	-
34 Student (Pupil) Transportation	4,772,924	821,575	-
35 Food Services	4,282,995	80,424	3,303,177
36 Extracurricular Activities	2,184,841	-	-
41 General Administration	3,283,763	-	-
51 Facilities Maintenance and Operations	7,920,416	66,662	-
52 Security and Monitoring Services	537,864	-	-
53 Data Processing Services	2,216,774	-	-
61 Community Services	94,940	-	13,006
72 Debt Service - Interest on Long-Term Debt	4,482,105	-	-
73 Debt Service - Bond Issuance Cost and Fees	34,351	-	-
99 Other Intergovernmental Charges	504,553	-	-
[TG] Total Governmental Activities:	<u>93,774,113</u>	<u>1,506,410</u>	<u>7,083,705</u>
BUSINESS-TYPE ACTIVITIES:			
01 Enterprise Funds - Locally Defined	<u>118,512</u>	<u>91,640</u>	<u>-</u>
[TB] Total Business-Type Activities:	<u>118,512</u>	<u>91,640</u>	<u>-</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 93,892,625</u>	<u>\$ 1,598,050</u>	<u>\$ 7,083,705</u>

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (46,297,756)	\$ -	\$ (46,297,756)
(780,252)	-	(780,252)
(968,447)	-	(968,447)
(2,701,036)	-	(2,701,036)
(4,688,343)	-	(4,688,343)
(3,240,144)	-	(3,240,144)
(477,338)	-	(477,338)
(3,951,349)	-	(3,951,349)
(899,394)	-	(899,394)
(2,184,841)	-	(2,184,841)
(3,283,763)	-	(3,283,763)
(7,853,754)	-	(7,853,754)
(537,864)	-	(537,864)
(2,216,774)	-	(2,216,774)
(81,934)	-	(81,934)
(4,482,105)	-	(4,482,105)
(34,351)	-	(34,351)
(504,553)	-	(504,553)
<u>(85,183,998)</u>	<u>-</u>	<u>(85,183,998)</u>
-	(26,872)	(26,872)
-	(26,872)	(26,872)
<u>(85,183,998)</u>	<u>(26,872)</u>	<u>(85,210,870)</u>
36,801,183	-	36,801,183
14,143,580	-	14,143,580
25,919,485	-	25,919,485
6,216,948	-	6,216,948
742,522	-	742,522
804,325	-	804,325
<u>84,628,043</u>	<u>-</u>	<u>84,628,043</u>
(555,955)	(26,872)	(582,827)
7,466,480	42,707	7,509,187
<u>\$ 6,910,525</u>	<u>\$ 15,835</u>	<u>\$ 6,926,360</u>

WALLER INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ (2,001,659)	\$ 4,370,817	\$ 4,473,987	\$ 6,843,145
1120 Investments - Current	12,984,327	7,295,390	(4,074)	20,275,643
1220 Property Taxes - Delinquent	2,817,576	1,083,684	-	3,901,260
1230 Allowance for Uncollectible Taxes	(87,290)	(33,573)	-	(120,863)
1240 Due from Other Governments	1,080,156	-	372,871	1,453,027
1260 Due from Other Funds	430,797	-	-	430,797
1300 Inventories	-	-	77,371	77,371
1410 Prepayments	584,819	-	-	584,819
1000 Total Assets	<u>\$ 15,808,726</u>	<u>\$ 12,716,318</u>	<u>\$ 4,920,155</u>	<u>\$ 33,445,199</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 83,198	\$ -	\$ 95,713	\$ 178,911
2160 Accrued Wages Payable	3,130,839	-	53,412	3,184,251
2170 Due to Other Funds	139,486	-	291,311	430,797
2180 Due to Other Governments	15,621	-	-	15,621
2300 Unearned Revenue	49,107	-	-	49,107
2000 Total Liabilities	<u>3,418,251</u>	<u>-</u>	<u>440,436</u>	<u>3,858,687</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	2,572,788	991,517	-	3,564,305
2600 Total Deferred Inflows of Resources	<u>2,572,788</u>	<u>991,517</u>	<u>-</u>	<u>3,564,305</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	-	-	77,371	77,371
3430 Prepaid Items	707,376	-	-	707,376
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	1,136,418	1,136,418
3470 Capital Acquisition and Contractual Obligation	-	-	3,265,930	3,265,930
3480 Retirement of Long-Term Debt	-	11,724,801	-	11,724,801
3600 Unassigned Fund Balance	9,110,311	-	-	9,110,311
3000 Total Fund Balances	<u>9,817,687</u>	<u>11,724,801</u>	<u>4,479,719</u>	<u>26,022,207</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 15,808,726</u>	<u>\$ 12,716,318</u>	<u>\$ 4,920,155</u>	<u>\$ 33,445,199</u>

The notes to the financial statements 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, 2019

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	26,022,207
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$194,184,700 and the accumulated depreciation was (\$47,860,680). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		15,163,742
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase net position.		9,125,032
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$4,233,090, a Deferred Resource Inflow in the amount of \$2,127,999 and a net pension liability in the amount of \$10,372,858. The impact of this on Net Position is (8,267,767). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of (\$2,178,040). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$10,445,807) .		(10,445,807)
4 The District participates in the TRS-Care plan for retirees through TRS. The District's share of the TRS plan resulted in a net OPEB liability of \$28,278,913, a deferred outflow of \$6,095,438 and a deferred inflow of \$8,942,474. This resulted in a difference between the ending fund balance and the ending net position of (31,125,949).		(31,125,949)
5 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(5,393,005)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		3,564,305
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>6,910,525</b>

The notes to the financial statements 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, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 37,716,140	\$ 14,316,740	\$ 842,089	\$ 52,874,969
5800 State Program Revenues	29,314,108	145,312	838,599	30,298,019
5900 Federal Program Revenues	953,658	-	6,245,106	7,198,764
5020 Total Revenues	<u>67,983,906</u>	<u>14,462,052</u>	<u>7,925,794</u>	<u>90,371,752</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	40,840,390	-	2,495,205	43,335,595
0012 Instructional Resources and Media Services	686,742	-	-	686,742
0013 Curriculum and Instructional Staff Development	861,670	-	18,662	880,332
0021 Instructional Leadership	2,214,207	-	754,597	2,968,804
0023 School Leadership	4,172,969	-	4,245	4,177,214
0031 Guidance, Counseling and Evaluation Services	2,783,260	-	494,813	3,278,073
0033 Health Services	455,299	-	-	455,299
0034 Student (Pupil) Transportation	4,401,791	-	-	4,401,791
0035 Food Services	-	-	3,831,488	3,831,488
0036 Extracurricular Activities	1,994,948	-	-	1,994,948
0041 General Administration	2,944,217	-	-	2,944,217
0051 Facilities Maintenance and Operations	6,696,688	-	155,390	6,852,078
0052 Security and Monitoring Services	503,367	-	-	503,367
0053 Data Processing Services	2,294,370	-	-	2,294,370
0061 Community Services	75,845	-	13,006	88,851
Debt Service:				
0071 Principal on Long-Term Debt	-	4,105,000	-	4,105,000
0072 Interest on Long-Term Debt	-	5,337,675	-	5,337,675
0073 Bond Issuance Cost and Fees	-	34,351	-	34,351
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,252,580	-	18,601	1,271,181
Intergovernmental:				
0099 Other Intergovernmental Charges	504,553	-	-	504,553
6030 Total Expenditures	<u>72,682,896</u>	<u>9,477,026</u>	<u>7,786,007</u>	<u>89,945,929</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,698,990)</u>	<u>4,985,026</u>	<u>139,787</u>	<u>425,823</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7949 Other Resources	31,464	-	-	31,464
8949 Other (Uses)	-	(2,915,623)	-	(2,915,623)
7080 Total Other Financing Sources (Uses)	<u>31,464</u>	<u>(2,915,623)</u>	<u>-</u>	<u>(2,884,159)</u>
1200 Net Change in Fund Balances	(4,667,526)	2,069,403	139,787	(2,458,336)
0100 Fund Balance - September 1 (Beginning)	<u>14,485,213</u>	<u>9,655,398</u>	<u>4,339,932</u>	<u>28,480,543</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 9,817,687</u>	<u>\$ 11,724,801</u>	<u>\$ 4,479,719</u>	<u>\$ 26,022,207</u>

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

WALLER INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(2,458,336)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to increase net position.		9,125,032
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(5,393,005)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		1,091,587
Current year changes due to GASB 68 increased revenues in the amount of \$791,594 but also increased expenditures in the amount of \$2,969,634. The net effect on the change in the ending net position was a decrease in the amount of \$2,178,040.		(2,178,040)
Current year changes due to GASB 75 increased revenues in the amount of \$931,761 but also increased expenditures in the amount of \$1,674,954. The net effect on the change in the ending net position was a decrease in the amount of \$743,193.		(743,193)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>(555,955)</u>

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

WALLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2019

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 15,835
Total Assets	<u>15,835</u>
NET POSITION	
Unrestricted Net Position	<u>15,835</u>
Total Net Position	<u><u>\$ 15,835</u></u>

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

WALLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 89,637
State Program Revenues	2,003
Total Operating Revenues	<u>91,640</u>
OPERATING EXPENSES:	
Payroll Costs	31,673
Supplies and Materials	86,839
Total Operating Expenses	<u>118,512</u>
Operating Income (Loss)	(26,872)
Total Net Position - September 1 (Beginning)	<u>42,707</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 15,835</u></u>

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

WALLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 91,640
Cash Payments for Suppliers	(118,512)
Net Cash Used for Operating Activities	(26,872)
Net Decrease in Cash and Cash Equivalents	(26,872)
Cash and Cash Equivalents at Beginning of Year	42,707
Cash and Cash Equivalents at End of Year	\$ 15,835
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss):	\$ (26,872)

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

WALLER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2019

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 344,974
Total Assets	<u>\$ 344,974</u>
LIABILITIES	
Due to Student Groups	\$ 344,974
Total Liabilities	<u>\$ 344,974</u>

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

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Waller Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

*Pensions.* The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of August 31, 2017, Waller Independent School District retrospectively/prospectively applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

### **A. REPORTING ENTITY**

The Board of Trustees (the "Board") is a seven-member group and has 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 it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. 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 judgement 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.

### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd**

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd**

**D. FUND ACCOUNTING**

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund type:

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.
4. **Permanent Funds** – The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

5. **Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise funds.
6. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has no internal service funds.

Fiduciary Funds:

7. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has no Private Purpose Trust Funds.
8. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is list.

**Student Activities** - The student activities fund is used to record funds held for student organizations.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd**

**E. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

3. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Building Improvements	20-40
Vehicles	10
Office Equipment	5-25
Computer Equipment	5-25

4. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's Board. Assignments of fund balance are amounts set aside by the District's Superintendent or his designee with the intent they be used for specific purposes.
5. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd**

6. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has six items that qualify for reporting in this category on the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refund or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives pension plan members. A deferred charge has been recognized for employer pension and OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension and OPEB liabilities during the measurement period in which the contributions were made. Deferred outflows of resources are recognized for the difference between projected and actual investment earnings on the OPEB plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit plans. These amounts are deferred and amortized over the average of the expected service lives of pension and OPEB plan members.
7. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category in the government-wide statement of net position. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined pension and OPEB plans. These amounts are deferred and amortized over the average of the expected service lives of pension and OPEB plan members. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit plan. Those amounts are deferred and amortized over the average of the expected service lives of pension plan members. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.
8. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.
9. The fiduciary net position of TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and information about assets, liabilities, and additions to/deductions from TRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other two reports are in Exhibit J4 and J5.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

**District Policies and Legal and Contractual Provisions Governing Deposits**

*Custodial Credit Risk for Deposits* State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

*Foreign Currency Risk* The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting all deposits denominated in a foreign currency to less than 5% of all deposits.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

As of August 31, 2019, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Name</u>	<u>Maturity</u>	<u>Ratings</u>	<u>Fair Value</u>	<u>Percentage</u>
Cash	N/A	N/A	\$ 10,193,017	49.72%
Lonestar	24 days average	AAA	\$ 10,306,564	50.28%
Total Cash and Cash Equivalents			<u>\$ 20,499,581</u>	<u>100.00%</u>

**Investments**

**District Policies and Legal and Contractual Provisions Governing Investments**

**Compliance with the Public Funds Investment Act**

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Waller Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for Waller Independent School District are specified below:

**Credit Risk** To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2019, the district's investments were rated AAA.

**Custodial Credit Risk for Investments** To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

**II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**Concentration of Credit Risk** To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

**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 does not have a formal investment policy that limits investment maturities as means of managing exposure to fair value losses arising from increasing interest rates.

**Foreign Currency Risk for Investments** The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by limiting all investments denominated in a foreign currency to less than 5% of all investments.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of August 31, 2019, Waller Independent School District did not have any investments subject to the fair value measurement.

**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**C. DELINQUENT TAXES RECEIVABLE**

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

**D. INTERFUND BALANCES AND TRANSFERS**

As of August 31, 2019, the District's interfund balances were as follows:

Receivable Fund	Payable Fund	Amount	Description
General Fund	Special Revenue	291,311	Short-term loan
General Fund	General	139,486	Short-term loan
		<u>\$ 430,797</u>	

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**E. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2019, was as follows:

Governmental Activities	9/1/2018	Additions	Retirements	8/31/2019
Land	\$ 7,314,103	\$ -	\$ -	\$ 7,314,103
Building and Facilities	171,977,265	792,530	-	172,769,795
Furniture and Equipment	14,893,332	456,309	-	15,349,641
Total Historical Cost	<u>\$ 194,184,700</u>	<u>\$ 1,248,839</u>	<u>\$ -</u>	<u>\$ 195,433,539</u>
Less: Accumulated Depreciation				
Buildings and Facilities	\$ (38,910,555)	\$ (4,384,214)	\$ -	\$ (43,294,769)
Furniture and Equipment	(8,950,126)	(1,008,791)	-	(9,958,917)
Total Accumulated Depreciation	<u>(47,860,681)</u>	<u>(5,393,005)</u>	<u>-</u>	<u>(53,253,686)</u>
Governmental Activities Capital Assets, Net	<u>\$ 146,324,019</u>	<u>\$ (4,144,166)</u>	<u>\$ -</u>	<u>\$ 142,179,853</u>

Depreciation was allocated as follows:

Function Description	Amount
Instruction	2,969,878
Curriculum	47,064
Instructional Leadership	60,331
School Leadership	203,458
Guidance	286,273
Health Services	224,653
Transportation	31,203
Administration	301,664
Food Services	262,580
Cocurricular/Extracurricular Activities	136,718
General Admin	201,773
Plant Maintenance	469,587
Security and Monitoring	34,496
Data Processing	157,238
Community Services	6,089
Total Depreciation Expense	<u>\$ 5,393,005</u>



**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**F. BONDS AND LONG-TERM NOTES PAYABLE**

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2019 is as follows:

Description	Interest Rate	Amounts Original Issue	Balance 9/1/2018	Issued	Retired	Balance 8/31/2019	Due in One Year
Refunding Bonds, Series 2010	2.00-4.00%	\$ 12,255,000	\$ 5,435,000	\$ -	\$ (3,695,000)	\$ 1,740,000	\$ 855,000
Refunding Bonds, Series 2012	1.50-3.00%	9,180,000	6,705,000	-	(665,000)	6,040,000	675,000
Refunding Bonds, Series 2013	2.00-3.50%	5,525,000	2,725,000	-	(265,000)	2,460,000	275,000
Refunding Bonds, Series 2014	2.00-4.00%	8,500,000	8,080,000	-	(785,000)	7,295,000	1,350,000
Refunding Bonds, Series 2015	4.00%	7,180,000	7,180,000	-	-	7,180,000	-
Building Bonds, Series 2016	4.00-5.00%	93,545,000	90,975,000	-	(1,565,000)	89,410,000	1,920,000
<b>Total</b>			<b>121,100,000</b>	<b>-</b>	<b>(6,975,000)</b>	<b>114,125,000</b>	<b>5,075,000</b>
Other District Obligations:							
Premium on Bonds			13,304,241	-	(747,335)	12,556,906	-
Accreted interest on CAB's			429,357	5,643	(435,000)	-	-
<b>Total Other Obligations</b>			<b>13,733,598</b>	<b>5,643</b>	<b>(1,182,335)</b>	<b>12,556,906</b>	<b>-</b>
<b>Total District Obligations</b>			<b>\$ 134,833,598</b>	<b>\$ 5,643</b>	<b>\$ (8,157,335)</b>	<b>\$ 126,681,906</b>	<b>\$ 5,075,000</b>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2019.

Debt service requirements for bonds are as follows:

	Principal	Interest	Total
2020	\$ 5,075,000	\$ 4,680,325	\$ 9,755,325
2021	5,295,000	4,478,325	9,773,325
2022	3,995,000	4,289,150	8,284,150
2023	4,170,000	4,120,425	8,290,425
2024	4,345,000	3,943,463	8,288,463
2025-2029	21,220,000	17,034,713	38,254,713
2030-2034	23,865,000	12,519,500	36,384,500
2035-2039	22,700,000	6,816,150	29,516,150
2040-2044	13,110,000	2,256,400	15,366,400
2045-2046	11,150,000	373,600	11,523,600
	<b>\$ 114,925,000</b>	<b>\$ 60,512,051</b>	<b>\$ 175,437,051</b>

### **III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

During the fiscal year ended August 31, 2019, the District executed a partial cash defeasance by depositing funds in the amount of \$2,918,622.62 into an escrow account to defease \$2,870,000 of outstanding Series 2010 Unlimited Tax Refunding Bonds. As a result, this portion of the bonds is considered to be defeased and the pro-rate portion of the liability is not included in the Statement of Net Position.

#### **G. COMMITMENTS UNDER NONCAPITLIZED LEASES**

The District has various operating lease agreements for copiers. Rental expenditures recognized by the District for the fiscal year are \$317,207.

#### **H. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS**

The District does not accrue unpaid sick leave benefits.

#### **I. DEFINED BENEFIT PENSION PLAN**

**Plan Description.** Waller Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided.** TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension benefits are based on statutory provisions of the plan effective for fiscal year 2018. The annual standard annuity is based on the average of the five highest annual creditable salaries multiplied by the years of credited service multiplied by 2.3 percent. For members who are grandfathered, the three highest annual salaries are used in the benefit formula. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. Contribution Rates can be found in the TRS 2018 CAFR, Note 11, on page 76.

<b>Contribution Rates</b>		
	<b>2018</b>	<b>2019</b>
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
District's 2018 FY Employer Contributions	\$3,511,957	
District's 2018 FY Member Contributions	\$3,976,773	
Measurement Year NECE On-Behalf Contributions	\$2,247,925	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (including public schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

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

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

***Actuarial Assumptions.***

**Roll Forward** - A change was made in the measurement date of the total pension liability for the 2018 measurement year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using the roll forward procedures.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

The following table discloses the assumptions that were applied to this measurement period.

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Rate	7.25%
Municipal Bond Rate as of August 2018	3.69% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July, 2018.

**Discount Rate.** The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2018 (see page 52 of the TRS CAFR) are summarized below:

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
<b>Stable Value</b>			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Hedge Funds (Stable Value)	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
<b>Risk Parity</b>			
Risk Parity	<u>5.00%</u>	<u>3.70%</u>	<u>0.18%</u>
Inflation Expectations			2.30%
Alpha			0.79
<b>Total</b>	100.00%		7.25%

\* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability. The discount rate can be found in the 2018 TRS CAFR, Note 11, page 78.

	1% Decrease in Discount Rate (5.907%)	Current Single Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability:	\$ 35,895,566	\$ 23,783,872	\$ 13,978,738

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2019, Waller Independent School District reported a liability of \$23,783,872 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Waller Independent School District. The amount recognized by Waller Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Waller Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 23,783,872
State's proportionate share that is associated with the District	36,752,043
<b>Total</b>	<b>\$ 60,535,915</b>

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .000432100718% which was an increase of 0.000107691718% from its proportion measured as of August 31, 2017.

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

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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

For the year ended August 31, 2019, Waller Independent School District recognized pension expense of \$3,637,473 and revenue of \$3,637,473 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2019, Waller Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	148,249	583,562
Changes in actuarial assumptions	8,575,232	267,976
Net Difference between projected and actual investment earnings	-	451,282
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,798,365	447,736
Contributions paid to TRS subsequent to the measurement date	1,566,775	
Total	\$ 15,088,621	\$ 1,750,556

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2020	2,915,743
2021	1,966,047
2022	1,705,668
2023	1,957,464
2024	1,915,946
Thereafter	\$ 1,310,422

**J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

**Plan Description.** The Waller Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

**OPEB Plan Fiduciary Net Position.** Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$50,729,490,103
Less: plan fiduciary net position	798,574,633
Net OPEB liability	<u>\$49,930,915,470</u>
Net position as a percentage of total OPEB liability	1.57%

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

Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Medicare retirees and their dependents may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

The 85th Legislature, Regular Session, passed the following statutory changes in HB 3976 which became effective on September 1, 2017. These are described below under the section "Changes in Benefit Terms".

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018. (See the TRS CAFR page 70 for plan rates effective from September 1, 2016 - December 31, 2017.)

TRS-Care Monthly Premium rates Effective January 1, 2018 - Dec. 31, 2018			
		<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree or Surviving Spouse and Children		468	408
Retiree and Family		1,020	999

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2018. The following table shows contributions to the TRS-Care plan by type of contributor.

<b>Contribution Rates</b>		
	<b>2018</b>	<b>2019</b>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2018 FY Employer Contributions		\$387,348
District's 2018 FY Member Contributions		\$335,707
Measurement Year NECE On-Behalf Contributions		\$551,839

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

With Senate Bill 1, 85th Legislature, Regular Session, TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. House Bill 30 of the 85th Legislature provided an additional \$212 million in a one-time supplemental funding for the FY 2018-2019 biennium. One-time supplemental contributions during fiscal 2018 totaled \$394.6 million.

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:



**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

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

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 Rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% Sourced from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% - 9.05%
Ad-hoc Post Employment Benefit Changes	None

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

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

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

**Discount Rate.** A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 71. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**Sensitivity of the Net OPEB Liability:**

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the Net OPEB Liability:	\$ 33,661,623	\$ 28,278,913	\$ 13,826,349

**Healthcare Cost Trend Rates Sensitivity Analysis** - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 23,486,098	\$ 28,278,913	\$ 34,591,154

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2019, Waller Independent School District reported a liability of \$28,278,913 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Waller Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 28,278,913
State's proportionate share that is associated with the District	39,998,365
Total	<u>\$ 68,277,278</u>

The Net OPEB Liability was measured as of August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was 0.0566360799% compared to the 0.049012% as of August 31, 2017. This is an increase (decrease) of .0067348799%.

**Changes in Actuarial Assumptions Since the Prior Actuarial Valuation** – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

**Changes in Benefit Terms:** The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, Waller Independent School District recognized OPEB expense of \$1,454,900 and revenue of \$1,454,900 for support provided by the State.

At August 31, 2019, Waller Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	1,500,657	446,283
Changes in actuarial assumptions	471,898	8,496,191
Net Difference between projected and actual investment earnings	4,946	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,693,041	-
Contributions paid to TRS subsequent to the measurement date	424,896	-
Total	\$ 6,095,438	\$ 8,942,474

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended August 31:	Pension Expense Amount
2020	(653,580)
2021	(653,580)
2022	(653,580)
2023	(654,515)
2024	(655,050)
Thereafter	\$ (1,627)

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**K. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES**

*Medicare Part D.* The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, 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 year ended August 31, 2019, 2018, and 2017 the subsidy payments received by TRS-Care on-behalf of the District were \$181,247, \$131,224, and \$124,088 respectively. The information for the year ended August 31, 2016 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

**L. UNAVAILABLE/UNEARNED REVENUE**

Unavailable revenue at year end consisted of the following:

	General Fund	Debt Service	Total
Property Taxes	2,572,788	991,517	3,564,305
Total Unavailable	\$ 2,572,788	\$ 991,517	\$ 3,564,305

**M. DUE FROM STATE AGENCIES**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2017, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Fund	State		Total
	Entitlements	Federal Grants	
General Fund	1,080,156	-	1,080,156
Special Revenue	-	372,871	372,871
Total	\$ 1,080,156	\$ 372,871	\$ 1,453,027

**N. LITIGATION**

None.

**O. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 9, 2019, the date the financial statements were available to be issued.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd**

**P. FUND BALANCE**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- Non-Spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District has \$784,747 classified as Non Spendable
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The District has \$16,127,149 classified as Restricted.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The district has \$0 classified as Committed.
- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The District has \$0 classified as Assigned.
- Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds. The District has \$9,110,311 classified as Unassigned.

The elected board of trustees, for the entity, has the authority to commit, assign, and restrict fund balances. In some instances a restriction is a result of meeting contractual or otherwise legal requirements, for example debt service requirements contained in the bond covenant.

REQUIRED SUPPLEMENTARY INFORMATION

WALLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 36,209,019	\$ 37,342,019	\$ 37,716,140	\$ 374,121
5800 State Program Revenues	28,496,328	31,608,328	29,314,108	(2,294,220)
5900 Federal Program Revenues	700,000	952,258	953,658	1,400
5020 Total Revenues	<u>65,405,347</u>	<u>69,902,605</u>	<u>67,983,906</u>	<u>(1,918,699)</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	38,125,450	40,910,236	40,840,390	69,846
0012 Instructional Resources and Media Services	653,850	717,621	686,742	30,879
0013 Curriculum and Instructional Staff Development	1,077,100	1,113,800	861,670	252,130
0021 Instructional Leadership	2,125,285	2,379,444	2,214,207	165,237
0023 School Leadership	3,526,600	4,174,076	4,172,969	1,107
0031 Guidance, Counseling and Evaluation Services	2,088,975	2,834,626	2,783,260	51,366
0033 Health Services	548,820	575,416	455,299	120,117
0034 Student (Pupil) Transportation	3,820,425	4,702,425	4,401,791	300,634
0036 Extracurricular Activities	2,018,153	2,117,353	1,994,948	122,405
0041 General Administration	2,746,150	3,074,050	2,944,217	129,833
0051 Facilities Maintenance and Operations	6,149,550	6,733,550	6,696,688	36,862
0052 Security and Monitoring Services	511,200	513,200	503,367	9,833
0053 Data Processing Services	2,163,370	2,459,228	2,294,370	164,858
0061 Community Services	59,300	76,521	75,845	676
Capital Outlay:				
0081 Facilities Acquisition and Construction	155,000	1,420,540	1,252,580	167,960
Intergovernmental:				
0099 Other Intergovernmental Charges	540,000	540,000	504,553	35,447
6030 Total Expenditures	<u>66,309,228</u>	<u>74,342,086</u>	<u>72,682,896</u>	<u>1,659,190</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(903,881)	(4,439,481)	(4,698,990)	(259,509)
<b>OTHER FINANCING SOURCES (USES):</b>				
7949 Other Resources	-	-	31,464	31,464
1200 Net Change in Fund Balances	(903,881)	(4,439,481)	(4,667,526)	(228,045)
0100 Fund Balance - September 1 (Beginning)	<u>14,485,213</u>	<u>14,485,213</u>	<u>14,485,213</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 13,581,332</u>	<u>\$ 10,045,732</u>	<u>\$ 9,817,687</u>	<u>\$ (228,045)</u>

WALLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.043210072%	0.0324409%	0.0342417%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 23,783,872	\$ 10,372,858	\$ 12,939,423
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	36,752,043	22,878,550	25,196,619
Total	<u>\$ 60,535,915</u>	<u>\$ 33,251,408</u>	<u>\$ 38,136,042</u>
District's Covered Payroll	\$ 51,646,431	\$ 41,945,655	\$ 39,372,795
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	46.05%	24.73%	32.86%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."



<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0355512%		0.0220059%
\$	12,566,876	\$	2,878,080
	22,640,492		18,567,648
<u>\$ 35,207,368</u>		<u>\$ 21,445,728</u>	
\$	37,946,786	\$	35,347,051
	33.12%		16.63%
	78.43%		83.25%

WALLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 1,566,775	\$ 1,454,019	\$ 1,063,224
Contribution in Relation to the Contractually Required Contribution	1,566,775	1,454,019	1,063,224
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 51,646,431	\$ 46,817,623	\$ 41,945,655
Contributions as a Percentage of Covered Payroll	3.03%	3.11%	2.53%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

	2016	2015	2014
\$	1,087,945	\$ 1,052,686	\$ 557,911
	1,087,945	1,052,686	557,911
\$	-	\$ -	\$ -
\$	39,372,795	\$ 37,946,786	\$ 35,347,051
	2.76%	2.77%	1.58%

WALLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.000566361%	0.000499012%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 28,278,913	\$ 21,700,169
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	39,998,365	32,940,792
Total	<u>\$ 68,277,278</u>	<u>\$ 54,640,961</u>
District's Covered Payroll	\$ 51,646,431	\$ 41,945,655
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	54.75%	51.73%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

WALLER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 424,896	\$ 391,239
Contribution in Relation to the Contractually Required Contribution	424,896	391,239
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 51,646,431	\$ 46,817,623
Contributions as a Percentage of Covered Payroll	0.83%	0.84%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

A. Notes to Schedules for the TRS Pension

*Changes of Benefit terms.*

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

*Changes of Assumptions.*

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

B. Notes to Schedules for the TRS OPEB Plan

*Changes in Benefit.*

The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the net enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

*Changes in Assumptions.*

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.

WALLER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 AUGUST 31, 2019

- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

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

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

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

C. The following is a reconciliation for the budgeted revenues and expenditures from budgetary basis to GAAP basis:

	General Fund
<b>Sources/Inflows of resources</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 69,902,605
Differences - budget to GAAP:	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 69,902,605</u>
<b>Uses/outflows of resources</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 74,342,086
Differences - budget to GAAP:	
Expenditures for debt payments that are recognized for budgetary purposes but are reductions in liabilities for GAAP statements	-
Capital purchases that are expenditures for budgetary purposes but are additions to capital assets for GAAP statements	(1,420,540)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 72,921,546</u>

OTHER SUPPLEMENTARY INFORMATION



WALLER INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-
1240	Due from Other Governments	123,663	56,546	4,726
1300	Inventories	-	-	-
1000	<b>Total Assets</b>	<u>\$ 123,663</u>	<u>\$ 56,546</u>	<u>\$ 4,726</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ -	\$ 2,600	\$ -
2160	Accrued Wages Payable	-	-	-
2170	Due to Other Funds	123,663	53,946	4,726
2000	<b>Total Liabilities</b>	<u>123,663</u>	<u>56,546</u>	<u>4,726</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410	Inventories	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 123,663</u>	<u>\$ 56,546</u>	<u>\$ 4,726</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266	288	289 Other Federal Special Revenue Funds
\$ 1,132,526	\$ 59,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
78,960	-	-	-	25,798	-	-	4,210
77,371	-	-	-	-	-	-	-
<u>\$ 1,288,857</u>	<u>\$ 59,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,210</u>
\$ 81,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
53,412	-	-	-	-	-	-	-
-	-	-	-	25,798	-	-	4,210
<u>134,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,798</u>	<u>-</u>	<u>-</u>	<u>4,210</u>
77,371	-	-	-	-	-	-	-
1,076,711	59,707	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,154,082</u>	<u>59,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,288,857</u>	<u>\$ 59,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,210</u>

WALLER INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2019

Data Control Codes	410 State Instructional Materials	Total Nonmajor Special Revenue Funds	699	Total Nonmajor Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 1,192,233	\$ 3,281,754	\$ 4,473,987
1120	Investments - Current	-	-	(4,074)	(4,074)
1240	Due from Other Governments	66,968	372,871	-	372,871
1300	Inventories	-	77,371	-	77,371
1000	Total Assets	<u>\$ 66,968</u>	<u>\$ 1,642,475</u>	<u>\$ 3,277,680</u>	<u>\$ 4,920,155</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ 83,963	\$ 11,750	\$ 95,713
2160	Accrued Wages Payable	-	53,412	-	53,412
2170	Due to Other Funds	66,968	291,311	-	291,311
2000	Total Liabilities	<u>66,968</u>	<u>428,686</u>	<u>11,750</u>	<u>440,436</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	77,371	-	77,371
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	1,136,418	-	1,136,418
3470	Capital Acquisition and Contractual Obligation	-	-	3,265,930	3,265,930
3000	Total Fund Balances	<u>-</u>	<u>1,213,789</u>	<u>3,265,930</u>	<u>4,479,719</u>
4000	Total Liabilities and Fund Balances	<u>\$ 66,968</u>	<u>\$ 1,642,475</u>	<u>\$ 3,277,680</u>	<u>\$ 4,920,155</u>

WALLER INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	1,100,658	1,363,152	17,476	24,000
5020 Total Revenues	1,100,658	1,363,152	17,476	24,000
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	595,223	795,291	17,476	-
0013 Curriculum and Instructional Staff Development	-	18,662	-	-
0021 Instructional Leadership	492,429	87,206	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	461,993	-	24,000
0035 Food Services	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	13,006	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	1,100,658	1,363,152	17,476	24,000
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266	288	289 Other Federal Special Revenue Funds
\$ 822,305	\$ (730)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70,896	-	-	-	-	-	-	-
3,201,369	30,912	75,712	174,962	184,135	-	5,007	67,723
4,094,570	30,182	75,712	174,962	184,135	-	5,007	67,723
-	-	75,712	-	184,135	-	5,007	54,658
-	-	-	-	-	-	-	-
-	-	-	174,962	-	-	-	-
-	-	-	-	-	-	-	4,245
-	-	-	-	-	-	-	8,820
3,815,846	15,642	-	-	-	-	-	-
155,390	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,971,236	15,642	75,712	174,962	184,135	-	5,007	67,723
123,334	14,540	-	-	-	-	-	-
1,030,748	45,167	-	-	-	-	-	-
\$ 1,154,082	\$ 59,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WALLER INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	410 State Instructional Materials	Total Nonmajor Special Revenue Funds	699	Total Nonmajor Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ 821,575	\$ 20,514	\$ 842,089
5800 State Program Revenues	767,703	838,599	-	838,599
5900 Federal Program Revenues	-	6,245,106	-	6,245,106
5020 Total Revenues	767,703	7,905,280	20,514	7,925,794
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	767,703	2,495,205	-	2,495,205
0013 Curriculum and Instructional Staff Development	-	18,662	-	18,662
0021 Instructional Leadership	-	754,597	-	754,597
0023 School Leadership	-	4,245	-	4,245
0031 Guidance, Counseling and Evaluation Services	-	494,813	-	494,813
0035 Food Services	-	3,831,488	-	3,831,488
0051 Facilities Maintenance and Operations	-	155,390	-	155,390
0061 Community Services	-	13,006	-	13,006
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	18,601	18,601
6030 Total Expenditures	767,703	7,767,406	18,601	7,786,007
1200 Net Change in Fund Balance	-	137,874	1,913	139,787
0100 Fund Balance - September 1 (Beginning)	-	1,075,915	3,264,017	4,339,932
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 1,213,789	\$ 3,265,930	\$ 4,479,719

## T.E.A. REQUIRED SCHEDULES

WALLER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.040000	0.400000	1,738,294,761
2012	1.040000	0.400000	1,754,172,032
2013	1.040000	0.400000	1,731,973,506
2014	1.040000	0.400000	1,892,167,836
2015	1.040000	0.400000	2,021,703,553
2016	1.040000	0.400000	2,243,617,577
2017	1.040000	0.400000	2,600,531,319
2018	1.040000	0.400000	3,027,820,555
2019 (School year under audit)	1.040000	0.400000	3,383,391,176
1000 TOTALS			



(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 655,891	\$ -	\$ 54,463	\$ 20,947	\$ (34,236)	\$ 546,245
118,454	-	8,581	3,300	(2,850)	103,723
120,845	-	10,190	3,919	(2,860)	103,876
153,072	-	22,462	8,639	(1,152)	120,819
201,637	-	55,992	21,535	39,060	163,170
265,498	-	76,945	29,594	81,451	240,410
323,077	-	89,851	34,558	71,876	270,544
569,415	-	211,299	81,269	107,400	384,247
1,145,599	-	476,107	183,119	117,669	604,042
-	48,720,833	35,201,898	13,539,192	1,384,441	1,364,184
<u>\$ 3,553,488</u>	<u>\$ 48,720,833</u>	<u>\$ 36,207,788</u>	<u>\$ 13,926,072</u>	<u>\$ 1,760,799</u>	<u>\$ 3,901,260</u>

WALLER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 767,000	\$ 767,000	\$ 822,305	\$ 55,305
5800 State Program Revenues	30,000	46,000	70,896	24,896
5900 Federal Program Revenues	3,042,000	3,030,000	3,201,369	171,369
5020 Total Revenues	<u>3,839,000</u>	<u>3,843,000</u>	<u>4,094,570</u>	<u>251,570</u>
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	3,644,800	3,850,100	3,815,846	34,254
0051 Facilities Maintenance and Operations	-	207,760	155,390	52,370
6030 Total Expenditures	<u>3,644,800</u>	<u>4,057,860</u>	<u>3,971,236</u>	<u>86,624</u>
1200 Net Change in Fund Balances	194,200	(214,860)	123,334	338,194
0100 Fund Balance - September 1 (Beginning)	<u>1,030,748</u>	<u>1,030,748</u>	<u>1,030,748</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,224,948</u>	<u>\$ 815,888</u>	<u>\$ 1,154,082</u>	<u>\$ 338,194</u>

WALLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 13,439,626	\$ 13,439,626	\$ 14,316,740	\$ 877,114
5800 State Program Revenues	-	-	145,312	145,312
5020 Total Revenues	13,439,626	13,439,626	14,462,052	1,022,426
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long-Term Debt	12,605,075	10,097,350	4,105,000	5,992,350
0072 Interest on Long-Term Debt	-	2,487,725	5,337,675	(2,849,950)
0073 Bond Issuance Cost and Fees	-	20,000	34,351	(14,351)
6030 Total Expenditures	12,605,075	12,605,075	9,477,026	3,128,049
1100 Excess of Revenues Over Expenditures	834,551	834,551	4,985,026	4,150,475
<b>OTHER FINANCING SOURCES (USES):</b>				
8949 Other (Uses)	-	-	(2,915,623)	(2,915,623)
1200 Net Change in Fund Balances	834,551	834,551	2,069,403	1,234,852
0100 Fund Balance - September 1 (Beginning)	9,655,398	9,655,397	9,655,398	1
3000 Fund Balance - August 31 (Ending)	\$ 10,489,949	\$ 10,489,948	\$ 11,724,801	\$ 1,234,853

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT, INC.

December 9, 2019

### **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***

Waller Independent School District  
Waller, Texas 77657

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 the Waller Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Waller Independent School District's basic financial statements, and have issued our report thereon dated December 9, 2019.

#### **Internal Control over Financial Reporting**

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

#### **Purpose of this Report**

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

*Mitchell T Fontenote CPA, Inc.*

# MITCHELL T. FONTENOTE

## CERTIFIED PUBLIC ACCOUNTANT, INC.

December 9, 2019

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Waller Independent School District  
Waller, Texas

#### **Report on Compliance for Each Major Federal Program**

We have audited the Waller Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Waller Independent School District's major federal programs for the year ended August 31, 2019. Waller Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the Waller Independent School District's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, the 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, 2019.

#### **Report on Internal Control over Compliance**

Management of the 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 the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Mitchell T Fontenote CPA, Inc.*

WALLER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 AUGUST 31, 2019

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**Summary of Auditor's Results**

Type of Report of Financial Statements	Unqualified
Internal Control over Financial Reporting: Material weakness(es) identified?	No
Noncompliance which is material to the basic financial statements:	None Reported
Internal Control over Major Programs: Material weakness(es) identified?	No
Reportable condition(s) identified are not considered to be material weakness(es)?	None Reported
Noncompliance which is material to the basic financial statements:	None
Type of report on compliance with major programs:	Unqualified
Findings and Questioned costs for federal awards as defined in Uniform Guidance	None
Dollar threshold considered between Type A and Type B Federal Programs	\$750,000
Low Risk auditee statements	The District was classified as a low-risk auditee in the context of Uniform Guidance
Major Federal Programs	84.010 Title I Grants 84.365 English Language Acquisition 84.027 Special Education Cluster
<b><u>Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted Accounting Principles (GAAP)</u></b>	None
<b><u>Findings and Questioned Costs for federal and state awards</u></b>	None



WALLER INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
AUGUST 31, 2019

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None.

WALLER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2019

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101237904	\$ 1,100,658
*IDEA - Part B, Formula	84.027	186600012379046000	565,032
*IDEA - Part B, Formula	84.027	196600012379046000	798,121
*IDEA - Part B, Discretionary	84.027	196600012379046000	24,000
Total CFDA Number 84.027			1,387,153
*IDEA - Part B, Preschool	84.173	186610012379046610	17,476
Total Special Education Cluster (IDEA)			1,404,629
Career and Technical - Basic Grant	84.048	19420006237904	75,712
Title III, Part A - English Language Acquisition	84.365A	19671001237904	184,135
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19694501237904	174,962
LEP Summer School	84.369A	69551802	5,007
Title IV, Part A, Subpart 1	84.424A	19680101237904	67,723
Total Passed Through State Department of Education			3,012,826
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			3,012,826
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401901	731,485
*National School Lunch Program - Cash Assistance	10.555	71301901	2,101,876
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301901	291,368
Total CFDA Number 10.555			2,393,244
*Summer Feeding Program - Cash Assistance	10.559	71301901	30,912
Total Child Nutrition Cluster			3,155,641
Child & Adult Care Food Program - Cash Assistance	10.558	71301901	76,639
Total Passed Through the State Department of Agriculture			3,232,280
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			3,232,280
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 6,245,106

\*Clustered Programs

WALLER INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AUGUST 31, 2019

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- The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.
- The District accounts for all awards under federal programs in the General and certain Special Revenue funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*.
- Special Revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state awards generally are accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified grant periods.
- These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenue and other financing resources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgements, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned. The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date.
- The District participates in numerous state and federal 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 adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable at August 31, 2019, may be impaired.
- The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

SCHOOLS FIRST QUESTIONNAIRE

Waller Independent School District

Fiscal Year 2019

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	
SF11	Net Pension Assets (1920) at fiscal year-end.	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	23,783,872
SF13	Pension Expense (6147) at fiscal year-end.	