

WALLER
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

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Waller Independent School District
Annual Financial Report
For The Year Ended August 31, 2017

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	2	
FINANCIAL SECTION		
Independent Auditors' Report.....	4	
Management's Discussion and Analysis (Required Supplementary Information).....	8	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	15	A-1
Statement of Activities.....	16	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	18	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	20	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	21	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	23	C-3
Statement of Net Position - Enterprise Fund.....	24	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Enterprise Fund.....	25	D-2
Statement of Cash Flows - Enterprise Fund.....	26	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	27	E-1
Notes to the Financial Statements	28	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	48	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System of Texas (TRS).....	50	G-2
Schedule of District Contributions - Teacher Retirement System of Texas (TRS).....	51	G-3
<u>Combining Statements as Supplementary Information:</u>		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	53	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	56	H-2

Waller Independent School District
Annual Financial Report
For The Year Ended August 31, 2017

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	60	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	62	J-2
Debt Service Fund.....	63	J-3
 FEDERAL AWARDS AND OTHER COMPLIANCE SECTION		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	67	
Schedule of Findings and Questioned Costs	69	
Summary Schedule of Prior Audit Findings.....	70	
Schedule of Expenditures of Federal Awards	71	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	73	
Schedule of Required Responses to Selected School First Indicators.....	74	L-1

Introductory Section

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CERTIFICATE OF BOARD

Waller Independent School District
Name of School District

Waller
County

237-904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2017, at a meeting of the board of trustees of such school district on the 18th day of JANUARY, 2018.



Signature of Board Secretary



Signature of Board President

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

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Financial Section

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Independent Auditors' Report

To the Board of Trustees of
Waller Independent School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Waller Independent School District (the "District") as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purposes of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 16, 2018

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Management's Discussion and Analysis

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WALLER INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2017

This discussion and analysis of Waller Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2017. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2017 was \$36,852,750.
- For the fiscal year ended August 31, 2017, the District's general fund reported a total fund balance of \$17,913,107, of which \$382,341 was nonspendable in the form of prepaid items and \$17,530,766 was unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$38,350,599.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

WALLER INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2017

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has the following kinds of funds:

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

WALLER INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2017

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$36,852,750 at August 31, 2017. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2017. *Table 1* indicates the overall condition of the District increased. Current assets decreased while capital assets increased from the purchase of new vehicles and equipment and the completion of construction projects throughout the District. In addition, the District had a decrease in long-term liabilities resulting from payments made on outstanding bond principals during the fiscal year. *Table 2* reflects the District reporting increased revenue received from property taxes when compared to the prior year as a direct result of increase appraised values throughout the District. Additionally, the District expended more during the year. The District reported increases in expenses resulting mainly from instructional personnel and services and interest on long-term debt.

Table 1
Net Position

Description	Governmental Activities		Total Change	Business-Type Activities		Total Change
	2017	2016	2017-2016	2017	2016	2017-2016
Current assets	\$ 43,539,688	\$ 92,414,833	\$ (48,875,145)	\$ 31,069	\$ 14,666	\$ 16,403
Capital assets	141,982,494	88,357,158	53,625,336	-	-	-
Total Assets	185,522,182	180,771,990	4,750,192	31,069	14,666	16,403
Deferred charges on refunding	4,310,132	4,683,398	(373,266)	-	-	-
Deferred outflows related to pensions	5,457,962	7,669,345	(2,211,383)	-	-	-
Total Deferred Outflows of Resources	9,768,094	12,352,743	(2,584,649)	-	-	-
Current liabilities	3,008,158	3,102,686	(94,528)	-	-	-
Long-term liabilities	154,714,386	159,507,814	(4,793,428)	-	-	-
Total Liabilities	157,722,544	162,610,500	(4,887,956)	-	-	-
Deferred inflows related to pensions	746,051	2,280,005	(1,533,954)	-	-	-
Total Deferred Inflows of Resources	746,051	2,280,005	(1,533,954)	-	-	-
Net Position:						
Net investment in capital assets	16,130,625	3,334,834	12,795,791	-	-	-
Restricted	9,248,494	7,912,108	1,336,386	-	-	-
Unrestricted	11,442,562	16,987,286	(5,544,724)	31,069	14,666	16,403
Total Net Position	\$ 36,821,681	\$ 28,234,228	\$ 8,587,453	\$ 31,069	\$ 14,666	\$ 16,403

WALLER INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2017

Table 2
Changes in Net Position

	Governmental Activities		Total Change 2017-2016	Business-Type Activities		Total Change 2017-2016
	2017	2016		2017	2016	
Revenues						
Program revenues:						
Charges for services	\$ 983,726	\$ 1,143,524	\$ (159,798)	\$ 113,669	\$ 120,795	\$ (7,126)
Operating grants and contributions	13,450,610	15,146,869	(1,696,259)	1,478	1,376	102
General revenues:						
Property taxes	38,560,086	33,880,016	4,680,070	-	-	-
State foundation program	28,363,000	28,918,462	(555,462)	-	-	-
Investment earnings	332,743	264,156	68,587	-	-	-
Miscellaneous	72,962	67,042	5,920	-	-	-
Total Revenue	<u>81,763,127</u>	<u>79,420,069</u>	<u>2,343,058</u>	<u>115,147</u>	<u>122,171</u>	<u>(7,024)</u>
Expenses						
Instruction	40,398,048	37,784,292	2,613,756	-	-	-
Instructional resources and media services	669,074	663,699	5,375	-	-	-
Curriculum and staff development	1,408,957	1,176,755	232,202	-	-	-
Instructional leadership	1,932,078	2,151,954	(219,876)	-	-	-
School leadership	3,926,735	3,505,902	420,833	-	-	-
Guidance, counseling, and evaluation services	2,470,769	2,123,602	347,167	-	-	-
Health services	445,110	468,366	(23,256)	-	-	-
Student (pupil) transportation	3,934,307	3,630,330	303,977	-	-	-
Food services	3,825,359	3,830,793	(5,434)	-	-	-
Co-curricular/extracurricular activities	1,876,655	1,995,966	(119,311)	-	-	-
General administration	2,647,610	2,396,881	250,729	-	-	-
Plant maintenance and operations	7,021,121	9,391,002	(2,369,881)	-	-	-
Security and monitoring	467,326	469,348	(2,022)	-	-	-
Data processing services	1,811,489	1,039,176	772,313	-	-	-
Community services	94,836	183,692	(88,856)	-	-	-
Interest on long-term debt	5,003,326	3,524,743	1,478,583	-	-	-
Bond issuance costs and fees	47,595	963,953	(916,358)	-	-	-
Other intergovernmental charges	290,293	457,211	(166,918)	-	-	-
Vending	-	-	-	98,744	107,505	(8,761)
Total Expenses	<u>78,270,688</u>	<u>75,757,665</u>	<u>2,513,023</u>	<u>98,744</u>	<u>107,505</u>	<u>(8,761)</u>
Change in Net Position	3,492,439	3,662,404	(169,965)	16,403	14,666	1,737
Beginning net position	28,234,228	24,571,824	3,662,404	14,666	-	14,666
Prior period adjustment	5,095,014	-	5,095,014	-	-	-
Beginning net position, restated	<u>33,329,242</u>	<u>24,571,824</u>	<u>8,757,418</u>	<u>14,666</u>	<u>-</u>	<u>14,666</u>
Ending Net Position	<u>\$ 36,821,681</u>	<u>\$ 28,234,228</u>	<u>\$ 8,587,453</u>	<u>\$ 31,069</u>	<u>\$ 14,666</u>	<u>\$ 16,403</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2017, the District's governmental funds reported a combined fund balance of \$38,350,599. This compares to a combined fund balance of \$86,823,630 at August 31, 2016. Both the general fund and debt service fund balances increased due to an increase in local revenues mainly from property taxes, while the capital project fund balance decreased as a result of the completion of construction projects funded from prior year unlimited school building bonds.

WALLER INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the period ended August 31, 2017, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were material changes between the original budget and the final amended budget due to the addition of construction projects during the fiscal year and the increase of expenditures associated with these projects. The general fund's actual revenues exceeded budgeted revenues by \$559,268 due to the District receiving more local and state revenue than originally budgeted for at the beginning of the fiscal year. In addition, the District's actual expenditures were less than budgeted expenditures by \$8,180,368 with the District spending significantly less than budgeted in instructional expenses, student transportation, cocurricular/extracurricular activities, general administration, data processing services, and capital outlay.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at an acquisition value at the date of donation. During the fiscal year ended August 31, 2017, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2017, the District had a total of \$185,141,556 invested in capital assets such as land, buildings, and District equipment. This total includes \$53,313,340 invested during the fiscal year ended August 31, 2017 with the major invested capital assets being:

- Construction and renovation projects
- HVAC upgrades
- District vehicles and school buses

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

LONG-TERM DEBT

At year end, the District had \$127,225,000 in general obligation bonds outstanding versus \$131,685,000 last year. The decrease is due to principal payments paid this fiscal year, totaling \$4,460,000.

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

WALLER INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2017

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS

The following factors were considered in establishing the District's budget for 2017-2018:

- Student enrollment for 2017-2018 is expected to remain approximately the same when compared to 2016-2017. District officials anticipate no significant change in the rate of attendance for the year 2018 compared to the year 2017; therefore, the refined daily attendance, which is a significant component of the formula upon which State Foundation Program entitlements are based, is not projected to change significantly for 2017-2018.
- The District's total tax rate remained the same as the previous year at \$1.44 per \$100 of valuation, with the Maintenance and Operations tax rate at \$1.04 and the Interest and Sinking tax rate at \$0.40.
- The District has several more projects planned to be expended out of the proceeds from the issuance of the unlimited school building bonds, series 2016.
- No new programs were added and no significant changes to existing programs occurred during the current year and no significant changes are planned for 2017-2018.
- District officials anticipate that the fund balance for the general fund will not materially change for 2017-2018 compared to 2016-2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

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WALLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS:			
1110	\$ 32,496,257	\$ 31,069	\$ 32,527,326
1120	5,933	--	5,933
1220	3,528,426	--	3,528,426
1230	(1,118,933)	--	(1,118,933)
1240	8,244,042	--	8,244,042
1290	1,622	--	1,622
1410	382,341	--	382,341
Capital Assets:			
1510	4,463,392	--	4,463,392
1520	130,893,991	--	130,893,991
1530	2,034,005	--	2,034,005
1530	4,591,106	--	4,591,106
1000	<u>185,522,182</u>	<u>31,069</u>	<u>185,553,251</u>
DEFERRED OUTFLOWS OF RESOURCES:			
1700	4,310,132	--	4,310,132
1705	5,457,962	--	5,457,962
1700	<u>9,768,094</u>	<u>--</u>	<u>9,768,094</u>
LIABILITIES:			
2110	53,558	--	53,558
2140	228,567	--	228,567
2165	2,329,466	--	2,329,466
2180	41,556	--	41,556
2300	355,011	--	355,011
Noncurrent Liabilities:			
2501	4,000,000	--	4,000,000
2502	137,774,963	--	137,774,963
2540	12,939,423	--	12,939,423
2000	<u>157,722,544</u>	<u>--</u>	<u>157,722,544</u>
DEFERRED INFLOWS OF RESOURCES:			
2605	746,051	--	746,051
2600	<u>746,051</u>	<u>--</u>	<u>746,051</u>
NET POSITION:			
3200	16,130,625	--	16,130,625
Restricted For:			
3820	865,147	--	865,147
3850	8,383,347	--	8,383,347
3900	11,442,562	31,069	11,473,631
3000	<u>\$ 36,821,681</u>	<u>\$ 31,069</u>	<u>\$ 36,852,750</u>

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues	
			Charges for Services	4 Operating Grants and Contributions
	Governmental Activities:			
11	<i>Instruction</i>	\$ 40,398,048	\$ 37,888	\$ 6,548,713
12	<i>Instructional Resources and Media Services</i>	669,074	--	70,092
13	<i>Curriculum and Staff Development</i>	1,408,957	--	153,724
21	<i>Instructional Leadership</i>	1,932,078	--	337,473
23	<i>School Leadership</i>	3,926,735	--	394,262
31	<i>Guidance, Counseling, & Evaluation Services</i>	2,470,769	--	722,706
33	<i>Health Services</i>	445,110	--	44,908
34	<i>Student Transportation</i>	3,934,307	--	394,262
35	<i>Food Service</i>	3,825,359	790,072	2,806,848
36	<i>Cocurricular/Extracurricular Activities</i>	1,876,655	155,766	188,216
41	<i>General Administration</i>	2,647,610	--	266,912
51	<i>Facilities Maintenance and Operations</i>	7,021,121	--	788,810
52	<i>Security and Monitoring Services</i>	467,326	--	46,889
53	<i>Data Processing Services</i>	1,811,489	--	181,612
61	<i>Community Services</i>	94,836	--	19,036
72	<i>Interest on Long-term Debt</i>	5,003,326	--	468,147
73	<i>Bond Issuance Costs and Fees</i>	47,595	--	--
99	<i>Other Intergovernmental Charges</i>	290,293	--	--
TG	Total Governmental Activities	<u>78,270,688</u>	<u>983,726</u>	<u>13,450,610</u>
	Business-type Activities:			
01	Vending	98,744	113,669	1,478
TB	Total Business-type Activities	<u>98,744</u>	<u>113,669</u>	<u>1,478</u>
TP	Total Primary Government	<u>\$ 78,369,432</u>	<u>\$ 1,097,395</u>	<u>\$ 13,452,088</u>
	General Revenues:			
MT	<i>Property Taxes, Levied for General Purposes</i>			
DT	<i>Property Taxes, Levied for Debt Service</i>			
IE	<i>Investment Earnings</i>			
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>			
MI	<i>Miscellaneous</i>			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
PA	Prior Period Adjustment			
	Net Position - Beginning, as Restated			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

6

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8

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (33,811,447)	\$ --	\$ (33,811,447)
(598,982)	--	(598,982)
(1,255,233)	--	(1,255,233)
(1,594,605)	--	(1,594,605)
(3,532,473)	--	(3,532,473)
(1,748,063)	--	(1,748,063)
(400,202)	--	(400,202)
(3,540,045)	--	(3,540,045)
(228,439)	--	(228,439)
(1,532,673)	--	(1,532,673)
(2,380,698)	--	(2,380,698)
(6,232,311)	--	(6,232,311)
(420,437)	--	(420,437)
(1,629,877)	--	(1,629,877)
(75,800)	--	(75,800)
(4,517,179)	--	(4,517,179)
(47,595)	--	(47,595)
(290,293)	--	(290,293)
<u>(63,836,352)</u>	<u>--</u>	<u>(63,836,352)</u>
--	16,403	16,403
--	16,403	16,403
<u>(63,836,352)</u>	<u>16,403</u>	<u>(63,819,949)</u>
27,874,486	--	27,874,486
10,685,600	--	10,685,600
332,743	--	332,743
28,363,000	--	28,363,000
72,962	--	72,962
<u>67,328,791</u>	<u>--</u>	<u>67,328,791</u>
3,492,439	16,403	3,508,842
28,234,228	14,666	28,248,894
5,095,014	--	5,095,014
33,329,242	14,666	33,343,908
<u>\$ 36,821,681</u>	<u>\$ 31,069</u>	<u>\$ 36,852,750</u>

WALLER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110	\$ 12,053,279	\$ 8,383,200
1120	5,657	147
1220	2,635,046	893,380
1230	(890,446)	(228,487)
1240	8,051,112	--
1260	198,691	--
1290	1,620	--
1410	382,341	--
1000	<u>\$ 22,437,300</u>	<u>\$ 9,048,240</u>
LIABILITIES:		
Current Liabilities:		
2110	\$ 53,560	\$ --
2160	2,329,466	--
2170	--	--
2180	41,556	--
2300	355,011	--
2000	<u>2,779,593</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES:		
	1,744,600	664,893
2600	<u>1,744,600</u>	<u>664,893</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3430	382,341	--
Restricted Fund Balances:		
3450	--	--
3480	--	8,383,347
3490	--	--
3600	17,530,766	--
3000	<u>17,913,107</u>	<u>8,383,347</u>
4000	<u>\$ 22,437,300</u>	<u>\$ 9,048,240</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 11,194,631	\$ 865,147	\$ 32,496,257
129	--	5,933
--	--	3,528,426
--	--	(1,118,933)
--	192,929	8,244,041
--	--	198,691
--	--	1,620
--	--	382,341
<u>\$ 11,194,760</u>	<u>\$ 1,058,076</u>	<u>\$ 43,738,376</u>
\$ --	\$ --	\$ 53,560
--	--	2,329,466
5,762	192,929	198,691
--	--	41,556
--	--	355,011
<u>5,762</u>	<u>192,929</u>	<u>2,978,284</u>
--	--	2,409,493
--	--	<u>2,409,493</u>
--	--	382,341
--	865,147	865,147
--	--	8,383,347
11,188,998	--	11,188,998
--	--	17,530,766
<u>11,188,998</u>	<u>865,147</u>	<u>38,350,599</u>
<u>\$ 11,194,760</u>	<u>\$ 1,058,076</u>	<u>\$ 43,738,376</u>

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WALLER INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2017*

Total fund balances - governmental funds balance sheet	\$ 38,350,599
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	141,982,494
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,409,493
Payables for bond principal which are not due in the current period are not reported in the funds.	(137,464,826)
Payables for bond interest which are not due in the current period are not reported in the funds.	(228,567)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(12,939,423)
Deferred inflows of resources related to Teacher Retirement System (TRS) are not reported in the funds.	(746,051)
Deferred outflows of resources related to TRS are not reported in the funds.	<u>5,457,962</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 36,821,681</u>

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 28,459,627	\$ 10,818,633
5800 <i>State Program Revenues</i>	31,207,804	486,147
5900 <i>Federal Program Revenues</i>	1,144,443	--
5020 Total Revenues	<u>60,811,874</u>	<u>11,304,780</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	32,475,851	--
0012 <i>Instructional Resources and Media Services</i>	588,987	--
0013 <i>Curriculum and Staff Development</i>	1,226,682	--
0021 <i>Instructional Leadership</i>	1,430,864	--
0023 <i>School Leadership</i>	3,442,220	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	1,656,727	--
0033 <i>Health Services</i>	391,676	--
0034 <i>Student Transportation</i>	3,553,859	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	1,742,117	--
0041 <i>General Administration</i>	2,340,879	--
0051 <i>Facilities Maintenance and Operations</i>	6,174,369	--
0052 <i>Security and Monitoring Services</i>	435,769	--
0053 <i>Data Processing Services</i>	1,691,677	--
0061 <i>Community Services</i>	60,695	--
0071 <i>Principal on Long-term Debt</i>	--	4,460,000
0072 <i>Interest on Long-term Debt</i>	--	5,341,606
0073 <i>Bond Issuance Costs and Fees</i>	--	47,595
0081 <i>Capital Outlay</i>	2,393,150	--
0099 <i>Other Intergovernmental Charges</i>	290,293	--
6030 Total Expenditures	<u>59,895,815</u>	<u>9,849,201</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>916,059</u>	<u>1,455,579</u>
Other Financing Sources and (Uses):		
7949 <i>Other Resources</i>	4,141	--
7080 Total Other Financing Sources and (Uses)	<u>4,141</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>920,200</u>	<u>1,455,579</u>
0100 Fund Balances - Beginning	<u>16,992,907</u>	<u>6,927,768</u>
3000 Fund Balances - Ending	<u>\$ 17,913,107</u>	<u>\$ 8,383,347</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 186,753	\$ 793,522	\$ 40,258,535
--	1,116,440	32,810,391
--	5,243,968	6,388,411
<u>186,753</u>	<u>7,153,930</u>	<u>79,457,337</u>
--	2,760,269	35,236,120
--	3,394	592,381
--	13,734	1,240,416
--	161,180	1,592,044
--	--	3,442,220
--	531,801	2,188,528
--	--	391,676
2,376,690	--	5,930,549
--	3,674,507	3,674,507
--	--	1,742,117
--	1,433	2,342,312
--	116,316	6,290,685
334,240	--	770,009
--	--	1,691,677
--	10,489	71,184
--	--	4,460,000
--	--	5,341,606
--	--	47,595
48,205,440	--	50,598,590
--	--	290,293
<u>50,916,370</u>	<u>7,273,123</u>	<u>127,934,509</u>
<u>(50,729,617)</u>	<u>(119,193)</u>	<u>(48,477,172)</u>
--	--	4,141
--	--	4,141
<u>(50,729,617)</u>	<u>(119,193)</u>	<u>(48,473,031)</u>
61,918,615	984,340	86,823,630
<u>\$ 11,188,998</u>	<u>\$ 865,147</u>	<u>\$ 38,350,599</u>

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WALLER INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2017*

Net change in fund balances - total governmental funds	\$ (48,473,031)
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	53,313,340
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,783,016)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(313,159)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,460,000
Bond premiums and refunding differences are amortized in the SOA but not in the funds.	343,689
The accretion of interest on capital appreciation bonds is not reported in the funds.	(10,980)
(Increase) decrease in accrued interest from beginning of period to end of period.	5,570
GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	2,614,808
The District's share of the unrecognized deferred outflows and inflows for TRS was amortized.	<u>(3,664,782)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 3,492,439</u>

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

ENTERPRISE FUND

AUGUST 31, 2017

Data Control Codes		Nonmajor Enterprise Fund <hr/> Vending Machines Fund
	ASSETS:	
	Current Assets:	
1110	<i>Cash and Cash Equivalents</i>	\$ 31,069
	Total Current Assets	<hr/> 31,069
1000	Total Assets	<hr/> 31,069
	LIABILITIES:	
2000	Total Liabilities	<hr/> --
	NET POSITION:	
3900	<i>Unrestricted</i>	31,069
3000	Total Net Position	<hr/> \$ 31,069

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Nonmajor Enterprise Fund
	<u>Vending Machines Fund</u>
OPERATING REVENUES:	
5700 <i>Local and Intermediate Sources</i>	\$ 113,669
5800 <i>State Program Revenues</i>	1,478
5020 Total Revenues	<u>115,147</u>
OPERATING EXPENSES:	
6100 <i>Payroll Costs</i>	21,089
6300 <i>Supplies and Materials</i>	77,655
6030 Total Expenses	<u>98,744</u>
1300 Change in Net Position	16,403
0100 Total Net Position - Beginning	14,666
3300 Total Net Position - Ending	<u>\$ 31,069</u>

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

ENTERPRISE FUND

FOR THE YEAR ENDED AUGUST 31, 2017

	Nonmajor Enterprise Fund <u>Vending Machines Fund</u>
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 115,147
<i>Cash Payments to Other Suppliers for Goods and Services</i>	<u>(98,744)</u>
Net Cash Provided (Used) by Operating Activities	<u>16,403</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,403
Cash and Cash Equivalents at Beginning of Year	14,666
Cash and Cash Equivalents at End of Year	<u>\$ 31,069</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 16,403
Provided by Operating Activities	
Net Cash Provided (Used) by Operating Activities	<u>\$ 16,403</u>

The accompanying notes are an integral part of this statement.

WALLER INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2017

Data Control Codes		Agency Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 341,040	
1000	Total Assets	341,040	
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	341,040	
2000	Total Liabilities	341,040	
	NET POSITION:		
3000	Total Net Position	\$ --	

The accompanying notes are an integral part of this statement.

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WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

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

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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

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

In addition, the District reports the following fund types:

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

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

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

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

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

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

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

e. Receivable and Payable Balances

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

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

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

f. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has six items that qualify for reporting in this category in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges have been recognized as a result of the differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of the pension plan members. A deferred charge has been recognized for employer pension 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 liability during the measurement period in which contributions were made. Deferred outflows 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. 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. This amount is deferred and amortized over the average of the expected service lives of pension plan members.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, presents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three 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 the differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of the pension 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. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the District only has 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 revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

g. Interfund Activity

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

h. Use of Estimates

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

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

k. Net Position Flow Assumption

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

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

I. Fund Balance Flow Assumptions

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

m. Program Revenues

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

n. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing or delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales or services. Operating expenses for the enterprise fund include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported nonoperating revenues and expenses.

4. 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' 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.

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

1. Cash Deposits:

At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$32,868,366 and the bank balance was \$34,259,672. The District's cash deposits at August 31, 2017, and during the year ended August 31, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

The District's investments at August 31, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Lone Star Investment Pool	\$ 5,933	--
Certificate of Deposit- First National Bank	2,054,980	0.21
	<u>\$ 2,060,913</u>	
Portfolio weighted average maturity		0.21

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2017, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

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

* Rated by Standard and Poor's Investor Services

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Lone Star

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

C. Capital Assets

Capital asset activity for the year ended August 31, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,851,680	\$ 611,712	\$ --	\$ 4,463,392
Construction in progress	4,404,312	25,241,727	29,646,039	--
Total capital assets not being depreciated	<u>8,255,992</u>	<u>25,853,439</u>	<u>29,646,039</u>	<u>4,463,392</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	111,287,149	54,273,085	--	165,560,234
Equipment	3,378,206	891,490	--	4,269,696
Vehicles	8,906,869	1,941,365	--	10,848,234
Total capital assets being depreciated	<u>123,572,224</u>	<u>57,105,940</u>	<u>--</u>	<u>180,678,164</u>
Less accumulated depreciation for:				
Buildings and improvements	(31,406,706)	(3,259,537)	--	(34,666,243)
Equipment	(1,824,970)	(410,721)	--	(2,235,691)
Vehicles	(5,144,370)	(1,112,758)	--	(6,257,128)
Total accumulated depreciation	<u>(38,376,046)</u>	<u>(4,783,016)</u>	<u>--</u>	<u>(43,159,062)</u>
Total capital assets being depreciated, net	<u>85,196,178</u>	<u>52,322,924</u>	<u>--</u>	<u>137,519,102</u>
Governmental activities capital assets, net	<u>\$ 93,452,170</u>	<u>\$ 78,176,363</u>	<u>\$ 29,646,039</u>	<u>\$ 141,982,494</u>

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Depreciation was charged to functions as follows:

Instruction	\$ 2,650,980
Instructional Resources and Media Services	43,906
Curriculum and Staff Development	92,458
Instructional Leadership	126,786
School Leadership	257,678
Guidance, Counseling, and Evaluation Services	162,136
Health Services	29,209
Student Transportation	258,175
Food Services	251,026
Extracurricular Activities	123,149
General Administration	173,740
Plant Maintenance and Operations	458,012
Security and Monitoring Services	30,667
Data Processing Services	118,873
Community Services	6,223
	<u>\$ 4,783,016</u>

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2017 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue Funds	\$ 192,929	Short-term loans
General Fund	Capital Projects Fund	5,762	Short-term loans
	Total	<u>\$ 198,691</u>	

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

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

E. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2017 are as follows:

	Beginning Balances	Increase	Decrease	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Building Bonds, Series 2008	\$ 2,320,000	\$ --	\$ (1,135,000)	\$ 1,185,000	\$ 1,185,000
Refunding Bonds, Series 2010	9,135,000	--	(785,000)	8,350,000	790,000
Refunding Bonds, Series 2012	7,985,000	--	(635,000)	7,350,000	645,000
Refunding Bonds, Series 2013	3,240,000	--	(255,000)	2,985,000	260,000
Refunding Bonds, Series 2014	8,280,000	--	(100,000)	8,180,000	100,000
Refunding Bonds, Series 2015	7,180,000	--	--	7,180,000	--
Building Bonds, Series 2016	93,545,000	--	(1,550,000)	91,995,000	1,020,000
	<u>131,685,000</u>	<u>--</u>	<u>(4,460,000)</u>	<u>127,225,000</u>	<u>4,000,000</u>
<u>Other liabilities:</u>					
Bond premium	14,848,715	--	(716,955)	14,131,761	--
Accreted interest on CAB's	407,222	10,980	--	418,202	--
Net pension liability	12,566,875	372,548	--	12,939,423	--
Total governmental activities	<u>\$ 159,507,813</u>	<u>\$ 383,528</u>	<u>\$ (5,176,955)</u>	<u>\$ 154,714,386</u>	<u>\$ 4,000,000</u>

Long-term liabilities due in more than one year \$ 150,714,386

Bonded indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. These bonds were issued as school building bonds or refunding bonds. Interest rates on the bonds ranged from 4.000% to 4.125% for Building Bonds, Series 2008; 2.500% to 4.000% for Refunding Bonds, Series 2010; 1.500% to 3.000% for Refunding Bonds, Series 2012; 2.000% to 3.500% for Refunding Bonds, Series 2013; 2.000% to 4.000% for Refunding Bonds, Series 2014; 4.000% for Refunding Bonds, Series 2015; and 3.000% to 5.000% for Building Bonds, Series 2016. Interest expense was \$5,341,606 for the year ended August 31, 2017.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2017 are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 4,000,000	\$ 5,185,866	\$ 9,185,866
2019	4,105,000	5,480,075	9,585,075
2020	5,075,000	4,880,125	9,955,125
2021	5,295,000	4,678,125	9,973,125
2022	4,915,000	4,470,550	9,385,550
2023-2027	26,755,000	19,098,850	45,853,850
2028-2032	20,710,000	14,510,600	35,220,600
2033-2037	27,335,000	9,046,550	36,381,550
2037-2041	14,835,000	4,382,750	19,217,750
2042-2046	14,200,000	1,164,400	15,364,400
Totals	<u>\$ 127,225,000</u>	<u>\$ 72,897,891</u>	<u>\$ 200,122,891</u>

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017

F. Commitments Under Noncapitalized Leases

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

Rental Expenditures in 2017	\$ <u>182,308</u>
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G. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by 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.

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the 5 highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the 3 highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

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

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 1,087,945	
District's 2017 Member Contributions	\$ 1,007,962	
2017 NECE On-Behalf Contributions to District	\$ 2,122,742	

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the 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 (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational, and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

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

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

5. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term Expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2016 are summarized below:

Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Real Rate of Return			
As of August 31, 2016			
Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	0%		2.2%
Alpha	0%		1.0%
Total	100%		8.7%

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 20,025,869	\$ 12,939,423	\$ 6,928,685

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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

At August 31, 2017, the District reported a liability of \$12,939,423 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 12,939,423
State's proportionate share that is associated with District	<u>25,196,619</u>
Total	<u>\$ 38,136,042</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.0342417%, which was a decrease of 0.0013095% from its proportion measured as of August 31, 2015.

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$2,614,808 and revenue of \$2,614,808 for support provided by the State.

At August 31, 2017, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 202,888	\$ 386,364
Changes in actuarial assumptions	394,370	358,664
Difference between projected and actual investment earnings	1,095,684	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,701,796	1,023
Contributions paid to TRS subsequent to the measurement date	<u>1,063,224</u>	<u>--</u>
Total	<u>\$ 5,457,962</u>	<u>\$ 746,051</u>

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

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

Year Ended August 31	Pension Expense
2018	\$ 648,342
2019	648,342
2020	1,347,222
2021	594,641
2022	377,795
Thereafter	32,345
Total	<u>\$ 3,648,687</u>

i. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2017, 2016, and 2015. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016, and 2015. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$23,415, \$32,770, and \$32,164, respectively; the active member contributions were \$272,647, \$255,923, and \$237,829, respectively; and the District's contributions were \$230,701, \$216,550, and \$201,240, respectively; which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$124,088, \$152,110, and \$149,173, respectively.

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

J. Employee Health Care Coverage

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$325 per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2017, and terms of coverage and premium costs are included in the contractual provisions.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2017.

L. Workers' Compensation

During the year ended August 31, 2017, the District participated in a fully funded workers' compensation program. Contributions were paid to a third-party administrator, acting on behalf of the fully funded pool. The contract between the District and the third-party administrator is renewable September 1, 2017, and the terms of coverage and contribution costs are included in the contractual provisions.

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

M. Unemployment Compensation

During the year ended August 31, 2017, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2017, the Fund anticipates the District has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

WALLER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

N. Tax Abatements

The District has entered into a property tax abatement agreement (the "Agreement") with a Hewlett-Packard Company (the "Company") for a limitation on appraised value of property for school district maintenance and operation taxes pursuant to Chapter 313 of the Texas Tax Code, the Texas Economic Development Act (the "Act"), as of July 13, 2009.

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

The District has granted the Company a tax limitation of \$10,000,000 for tax years 2010 through 2019. Tax years 2010 and 2011 were considered the qualifying time period in which the Company agreed to make qualifying investment in the amount of at least \$10,000,000 for the purposes of renewable energy. The Company made a qualified investment of \$175,199,083. The District agreed to provide a tax credit for the amount of maintenance and operations ad valorem taxes that were imposed on the portion of the appraised value of the qualified report that exceeded the amount of the limitation agreed to by the District in the applicable qualifying time period which totaled \$2,194,564.31. Beginning tax year 2013 and in each of the subsequent six tax years, the Company will receive a credit against the taxes imposed on the qualified property by the District equal to the lesser of \$313,509.19 (or one-seventh of the entitled tax credit) or 50 percent of the total amount of taxes imposed on the qualified property in that tax year. Tax years 2020 through 2022 is identified in the agreement as the tax credit settle-up period. The District has agreed to provide a tax credit equal to the lesser of any remaining tax credit balance or the total amount of taxes imposed on the qualified property by the District in that tax year.

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

O. Prior Period Adjustment

The District has restated beginning net position for changes in capital assets after the conversion to a new inventory system.

	Governmental Activities
Beginning net position	\$ 28,234,228
Change in capital assets	2,879,028
Change in accumulated depreciation	2,215,986
Beginning net position, restated	<u>\$ 33,329,242</u>

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Required Supplementary Information

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

WALLER INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1
 Page 1 of 2

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources		\$ 26,924,313	\$ 28,354,313	\$ 28,459,627	\$ 105,314	
5800	State Program Revenues		26,816,745	30,463,345	31,207,804	744,459	
5900	Federal Program Revenues		1,434,948	1,434,948	1,144,443	(290,505)	
5020	Total Revenues		<u>55,176,006</u>	<u>60,252,606</u>	<u>60,811,874</u>	<u>559,268</u>	
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction		32,521,050	36,765,861	32,475,851	4,290,010	
0012	Instructional Resources and Media Services		638,800	672,800	588,987	83,813	
0013	Curriculum and Staff Development		990,950	1,361,337	1,226,682	134,655	
	Total Instruction & Instr. Related Services		<u>34,150,800</u>	<u>38,799,998</u>	<u>34,291,520</u>	<u>4,508,478</u>	
Instructional and School Leadership:							
0021	Instructional Leadership		1,174,350	1,555,750	1,430,864	124,886	
0023	School Leadership		3,083,000	3,715,412	3,442,220	273,192	
	Total Instructional & School Leadership		<u>4,257,350</u>	<u>5,271,162</u>	<u>4,873,084</u>	<u>398,078</u>	
Support Services - Student (Pupil):							
0031	Guidance, Counseling, and Evaluation Services		1,473,800	1,778,800	1,656,727	122,073	
0033	Health Services		481,450	510,450	391,676	118,774	
0034	Student (Pupil) Transportation		3,768,625	4,273,625	3,553,859	719,766	
0036	Cocurricular/Extracurricular Activities		1,995,350	2,201,350	1,742,117	459,233	
	Total Support Services - Student (Pupil)		<u>7,719,225</u>	<u>8,764,225</u>	<u>7,344,379</u>	<u>1,419,846</u>	
Administrative Support Services:							
0041	General Administration		2,365,600	2,631,200	2,340,879	290,321	
	Total Administrative Support Services		<u>2,365,600</u>	<u>2,631,200</u>	<u>2,340,879</u>	<u>290,321</u>	
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations		5,556,450	6,365,450	6,174,369	191,081	
0052	Security and Monitoring Services		526,500	530,500	435,769	94,731	
0053	Data Processing Services		991,400	2,062,348	1,691,677	370,671	
	Total Support Services - Nonstudent Based		<u>7,074,350</u>	<u>8,958,298</u>	<u>8,301,815</u>	<u>656,483</u>	
Ancillary Services:							
0061	Community Services		51,700	66,300	60,695	5,605	
	Total Ancillary Services		<u>51,700</u>	<u>66,300</u>	<u>60,695</u>	<u>5,605</u>	
Capital Outlay:							
0081	Capital Outlay		80,000	3,105,000	2,393,150	711,850	
	Total Capital Outlay		<u>80,000</u>	<u>3,105,000</u>	<u>2,393,150</u>	<u>711,850</u>	
0099	Other Intergovernmental Charges		480,000	480,000	290,293	189,707	
	Total Intergovernmental Charges		<u>480,000</u>	<u>480,000</u>	<u>290,293</u>	<u>189,707</u>	
6030	Total Expenditures		<u>56,179,025</u>	<u>68,076,183</u>	<u>59,895,815</u>	<u>8,180,368</u>	
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures		<u>(1,003,019)</u>	<u>(7,823,577)</u>	<u>916,059</u>	<u>8,739,636</u>	

WALLER INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1
 Page 2 of 2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
	Other Financing Sources (Uses):				
7911	Capital-Related Debt Issued (Regular Bonds)	\$ 51,326,152	\$ 51,326,152	\$ --	\$ (51,326,152)
7949	Other Resources	--	--	4,141	4,141
7080	Total Other Financing Sources and (Uses)	<u>51,326,152</u>	<u>51,326,152</u>	<u>4,141</u>	<u>(51,322,011)</u>
1200	Net Change in Fund Balance	<u>50,323,133</u>	<u>43,502,575</u>	<u>920,200</u>	<u>(42,582,375)</u>
0100	Fund Balance - Beginning	16,992,907	16,992,907	16,992,907	--
3000	Fund Balance - Ending	<u>\$ 67,316,040</u>	<u>\$ 60,495,481</u>	<u>\$ 17,913,107</u>	<u>\$ (42,582,375)</u>

Notes to Required Supplementary Information:

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

WALLER INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)
LAST TEN FISCAL YEARS
For the Year Ended August 31, 2017*

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

* Only three years' worth of information is currently available

** As of measurement date

Notes to Required Supplementary Information:*Changes in Assumptions*

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

Changes in Benefits

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

WALLER INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-3

*SCHEDULE OF DISTRICT CONTRIBUTIONS**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)**LAST TEN FISCAL YEARS ***For the Year Ended August 31, 2017*

	Fiscal Year *			
	2017	2016	2015	2014
Contractually required contribution	-\$ 1,063,224	\$ 1,087,945	\$ 1,052,686	\$ 557,911
Contributions in relation to the contractually required contributions	1,063,224	1,087,945	1,052,686	557,911
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered employee payroll	\$ 41,945,655	\$ 39,372,795	\$ 37,946,786	\$ 35,347,051
Contributions as a percentage of covered employee payroll	2.53%	2.76%	2.77%	1.58%

* This schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

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Combining Statements as Supplementary Information

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

WALLER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2017

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --	\$ --	\$ 835,394
1240 <i>Due from Other Governments</i>	64,474	103,220	162	--
1000 Total Assets	<u>\$ 64,474</u>	<u>\$ 103,220</u>	<u>\$ 162</u>	<u>\$ 835,394</u>
LIABILITIES:				
Current Liabilities:				
2170 <i>Due to Other Funds</i>	\$ 64,474	\$ 103,220	\$ 162	\$ --
2000 Total Liabilities	<u>64,474</u>	<u>103,220</u>	<u>162</u>	<u>--</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--	835,394
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>835,394</u>
4000 Total Liabilities and Fund Balances	<u>\$ 64,474</u>	<u>\$ 103,220</u>	<u>\$ 162</u>	<u>\$ 835,394</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	289 LEP Summer School
\$ 29,753	\$ --	\$ --	\$ --	\$ --
--	--	10,053	7,810	--
<u>\$ 29,753</u>	<u>\$ --</u>	<u>\$ 10,053</u>	<u>\$ 7,810</u>	<u>\$ --</u>
\$ --	\$ --	\$ 10,053	\$ 7,810	\$ --
--	--	10,053	7,810	--
<u>--</u>	<u>--</u>	<u>10,053</u>	<u>7,810</u>	<u>--</u>
29,753	--	--	--	--
<u>29,753</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 29,753</u>	<u>\$ --</u>	<u>\$ 10,053</u>	<u>\$ 7,810</u>	<u>\$ --</u>

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WALLER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2017

Data Control Codes	410 State Textbook Fund	429 State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ 865,147
1240	Due from Other Governments	--	7,210	192,929
1000	Total Assets	\$ --	\$ 7,210	\$ 1,058,076
LIABILITIES:				
Current Liabilities:				
2170	Due to Other Funds	\$ --	\$ 7,210	\$ 192,929
2000	Total Liabilities	--	7,210	192,929
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	865,147
3000	Total Fund Balances	--	--	865,147
4000	Total Liabilities and Fund Balances	\$ --	\$ 7,210	\$ 1,058,076

WALLER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 793,522
5800 <i>State Program Revenues</i>	--	--	--	43,231
5900 <i>Federal Program Revenues</i>	972,440	1,030,351	5,731	2,801,038
5020 <i>Total Revenues</i>	<u>972,440</u>	<u>1,030,351</u>	<u>5,731</u>	<u>3,637,791</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	960,586	483,131	5,731	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	13,734	--	--
0021 <i>Instructional Leadership</i>	1,365	1,685	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	531,801	--	--
0035 <i>Food Service</i>	--	--	--	3,640,318
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	116,316
0061 <i>Community Services</i>	10,489	--	--	--
6030 <i>Total Expenditures</i>	<u>972,440</u>	<u>1,030,351</u>	<u>5,731</u>	<u>3,756,634</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	--	(118,843)
1200 <i>Net Change in Fund Balances</i>	--	--	--	(118,843)
0100 <i>Fund Balances - Beginning</i>	--	--	--	954,237
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 835,394</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	289 LEP Summer School
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
34,189	63,766	157,580	174,213	4,660
<u>34,189</u>	<u>63,766</u>	<u>157,580</u>	<u>174,213</u>	<u>4,660</u>
--	63,766	--	172,230	4,660
--	--	--	--	--
--	--	157,580	550	--
--	--	--	--	--
34,189	--	--	--	--
--	--	--	1,433	--
--	--	--	--	--
--	--	--	--	--
<u>34,189</u>	<u>63,766</u>	<u>157,580</u>	<u>174,213</u>	<u>4,660</u>
--	--	--	--	--
--	--	--	--	--
29,753	--	--	--	--
<u>\$ 29,753</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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WALLER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	410 State Textbook Fund	429 State Funded Special Revenue Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ 793,522
5800 <i>State Program Revenues</i>	873,739	199,470	1,116,440
5900 <i>Federal Program Revenues</i>	--	--	5,243,968
5020 Total Revenues	<u>873,739</u>	<u>199,470</u>	<u>7,153,930</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	873,739	196,426	2,760,269
0012 <i>Instructional Resources and Media Services</i>	--	3,394	3,394
0013 <i>Curriculum and Staff Development</i>	--	--	13,734
0021 <i>Instructional Leadership</i>	--	--	161,180
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	531,801
0035 <i>Food Service</i>	--	--	3,674,507
0041 <i>General Administration</i>	--	--	1,433
0051 <i>Facilities Maintenance and Operations</i>	--	--	116,316
0061 <i>Community Services</i>	--	--	10,489
6030 Total Expenditures	<u>873,739</u>	<u>199,820</u>	<u>7,273,123</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	(350)	(119,193)
1200 Net Change in Fund Balances	--	(350)	(119,193)
0100 Fund Balances - Beginning	--	350	984,340
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 865,147</u>

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Other Supplementary Information

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

WALLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2017

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1	2	
	Maintenance	Debt Service	
2008 and Prior Years	Various	Various	Various
2009	\$ 1.04	\$.38	\$ 1,477,579,819
2010	\$ 1.04	\$.40	\$ 1,574,123,858
2011	\$ 1.04	\$.40	\$ 1,738,294,761
2012	\$ 1.04	\$.40	\$ 1,754,172,032
2013	\$ 1.04	\$.40	\$ 1,731,973,506
2014	\$ 1.04	\$.40	\$ 1,892,167,836
2015	\$ 1.04	\$.40	\$ 2,021,703,553
2016	\$ 1.04	\$.40	\$ 2,243,617,577
2017 (School Year Under Audit)	\$ 1.04	\$.40	\$ 2,600,631,319

1000 Totals

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

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 663,824	\$ --	\$ 48,112	\$ 9,253	\$ (74,040)	\$ 532,419
165,111	--	10,951	4,001	(4,531)	145,628
158,373	--	13,799	5,307	(4,614)	134,653
303,724	--	113,641	43,708	(3,876)	142,499
312,172	--	116,907	44,964	1,308	151,609
342,733	--	124,281	47,801	32,617	203,268
398,522	--	140,307	53,964	30,627	234,878
593,933	--	217,272	83,566	33,554	326,649
1,072,752	--	509,279	180,764	113,033	495,742
--	37,449,091	26,208,007	10,080,003	--	1,161,081
<u>\$ 4,011,144</u>	<u>\$ 37,449,091</u>	<u>\$ 27,502,556</u>	<u>\$ 10,553,331</u>	<u>\$ 124,078</u>	<u>\$ 3,528,426</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WALLER INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT J-2

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	<i>Local and Intermediate Sources</i>	\$ 728,800	\$ 728,800	\$ 793,522	\$ 64,722		
5800	<i>State Program Revenues</i>	28,000	45,000	43,231	(1,769)		
5900	<i>Federal Program Revenues</i>	3,000,000	3,000,000	2,801,038	(198,962)		
5020	Total Revenues	<u>3,756,800</u>	<u>3,773,800</u>	<u>3,637,791</u>	<u>(136,009)</u>		
EXPENDITURES:							
Current:							
Support Services - Student (Pupil):							
0035	<i>Food Services</i>	3,481,000	3,840,000	3,640,318	199,682		
	Total Support Services - Student (Pupil)	<u>3,481,000</u>	<u>3,840,000</u>	<u>3,640,318</u>	<u>199,682</u>		
Support Services - Nonstudent Based:							
0051	<i>Plant Maintenance and Operations</i>	151,180	151,180	116,316	34,864		
	Total Support Services - Nonstudent Based	<u>151,180</u>	<u>151,180</u>	<u>116,316</u>	<u>34,864</u>		
6030	Total Expenditures	<u>3,632,180</u>	<u>3,991,180</u>	<u>3,756,634</u>	<u>234,546</u>		
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	124,620	(217,380)	(118,843)	98,537		
1200	Net Change in Fund Balance	<u>124,620</u>	<u>(217,380)</u>	<u>(118,843)</u>	<u>98,537</u>		
0100	Fund Balance - Beginning	954,237	954,237	954,237	--		
3000	Fund Balance - Ending	<u>\$ 1,078,857</u>	<u>\$ 736,857</u>	<u>\$ 835,394</u>	<u>\$ 98,537</u>		

WALLER INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

*DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017*

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	<i>Local and Intermediate Sources</i>		\$ 9,768,168	\$ 9,828,168	\$ 10,818,633	\$ 990,465	
5800	<i>State Program Revenues</i>		586,938	586,938	486,147	(100,791)	
5020	Total Revenues		<u>10,355,106</u>	<u>10,415,106</u>	<u>11,304,780</u>	<u>889,674</u>	
EXPENDITURES:							
Debt Service:							
0071	<i>Principal on Long-Term Debt</i>		4,460,000	4,465,000	4,460,000	5,000	
0072	<i>Interest on Long-Term Debt</i>		5,336,106	5,346,106	5,341,606	4,500	
0073	<i>Bond Issuance Costs and Fees</i>		20,000	65,000	47,595	17,405	
	Total Debt Service		<u>9,816,106</u>	<u>9,876,106</u>	<u>9,849,201</u>	<u>26,905</u>	
6030	Total Expenditures		<u>9,816,106</u>	<u>9,876,106</u>	<u>9,849,201</u>	<u>26,905</u>	
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures		539,000	539,000	1,455,579	916,579	
1200	Net Change in Fund Balance		<u>539,000</u>	<u>539,000</u>	<u>1,455,579</u>	<u>916,579</u>	
0100	Fund Balance - Beginning		6,927,768	6,927,768	6,927,768	--	
3000	Fund Balance - Ending		<u>\$ 7,466,768</u>	<u>\$ 7,466,768</u>	<u>\$ 8,383,347</u>	<u>\$ 916,579</u>	

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Federal Awards and Other Compliance Section

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Board of Trustees of
Waller Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Waller Independent School District (the "District"), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 16, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

The logo features the names 'BELT HARRIS PECHACEK, LLP' in a decorative, serif font. The letters 'B', 'H', and 'P' are significantly larger and more ornate than the other letters, which are smaller and more standard. The letters are arranged in a slightly curved line.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 16, 2018



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

To the Board of Trustees of
Waller Independent School District:

Report on Compliance for Each Major Federal Program

We have audited the Waller Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 16, 2018

WALLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A - Improving Basic Programs
84.027, 84.173	IDEA B Cluster

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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WALLER INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

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

WALLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT K-1
Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	01114	\$ 619,356
National School Lunch Program	10.555	01114	1,917,078
Summer Food Service Program	10.559	01114	34,189
Total Passed Through State Department of Education			2,570,623
Total U. S. Department of Agriculture			2,570,623
Total Child Nutrition Cluster			2,570,623
FOOD DISTRIBUTION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
Commodity Supplemental Food Program (Non-cash)	10.565	01114	264,604
Total Passed Through State Department of Education			264,604
Total U. S. Department of Agriculture			264,604
Total Food Distribution Cluster			264,604
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>IDEA-B Formula</i>	84.027	1766000123790	986,914
<i>IDEA-B Formula</i>	84.027	1866000123790	43,437
Total CFDA Number 84.027			1,030,351
<i>IDEA-B Preschool</i>	84.173	1766100123790	5,731
Total Passed Through State Department of Education			1,036,082
Total U. S. Department of Education			1,036,082
Total Special Education (IDEA) Cluster			1,036,082
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010	1761010123790	967,695
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010	1861010123790	4,745
Total CFDA Number 84.010			972,440
<i>Career and Technical - Basic Grant</i>	84.048	1742000623790	63,766
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	1767100123790	174,213
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	1769450123790	147,527
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	1869450123790	10,053
Total CFDA Number 84.367			157,580
<i>Summer School LEP</i>	84.369	69551602	4,660
Total Passed Through State Department of Education			1,372,659
Total U. S. Department of Education			1,372,659

WALLER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT K-1
 Page 2 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<u>Federal Communications Commission</u>			
Passed Through Direct Program:			
Universal E-Rate	32.00	237-904	\$ 459,448
Total Federal Communications Commission			<u>459,448</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,703,416</u>

The accompanying notes are an integral part of this schedule.

Reconciliation of Federal Revenue:	
Federal Revenue per SEFA	\$ 5,703,416
SHARS Reimbursement - General Fund	<u>684,995</u>
Total federal revenue per Exhibit C-2	<u>\$ 6,388,411</u>

WALLER INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2017

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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

WALLER INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2017

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	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 governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 418,202
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 12,939,423

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