

WALLER  
INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2016*

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Waller Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2016

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*Introductory Section*

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CERTIFICATE OF BOARD

Waller Independent School District  
Name of School District

Waller  
County

237-904  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) \_\_\_\_\_approved \_\_\_\_\_disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

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*Financial Section*

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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Waller Independent School District (the "District") as of and for the year ended August 31, 2016, 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 Waller Independent School District as of August 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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#### **Partners**

Robert Belt, CPA  
Stephanie E. Harris, CPA  
Nathan Krupke, CPA

#### **Houston**

3210 Bingle Rd., Ste. 300  
Houston, TX 77055  
713.263.1123

#### **Bellville**

P.O. Box 826  
Bellville, TX 77418  
979.865.3169

#### **Austin**

100 Congress Ave., Ste. 2000  
Austin, TX 78701  
512.381.0222

#### **All Offices**

www.texasauditors.com  
info@txauditors.com  
713.263.1550 fax



## 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 Waller Independent School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information 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 (CFR) 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 has 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 it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2017 on our consideration of Waller Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waller Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

The logo features the names 'BELT HARRIS PECHACEK, LLLP' in a decorative, calligraphic font. The letters are intertwined and stylized, with 'Belt' and 'Pechacek' being larger and more prominent than 'Harris'. The 'LLLP' is in a smaller, simpler font at the end.

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Bellville, Texas  
January 2, 2017

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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, 2016

This discussion and analysis of the Waller Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2016. It should be read in conjunction with the District's financial statements.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2016 was \$28,248,894.
- For the fiscal year ended August 31, 2016, the District's general fund reported a total fund balance of \$16,992,907, of which \$539,945 was committed for prepaid items and \$16,452,962 was unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds and the debt service fund) reported combined ending fund balances of \$86,823,630.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

# WALLER INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2016

- 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, 2016

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$28,248,894 at August 31, 2016. *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, 2016. *Table 1* indicates the overall condition of the District increased, which was the result of an increase in overall revenue for the fiscal year. *Table 2* reflects the District reporting increases in all revenue categories when compared to the prior year. Additionally, the District expended more during the year. The District reported increases in expenses resulting mainly from instruction and plant maintenance and operations.

**Table 1**  
Net Position

| Description                                 | Governmental Activities |                      | Total Change<br>2016-2015 | Business-Type Activities |             | Total Change<br>2016-2015 |
|---|-------------------------|----------------------|---------------------------|--------------------------|-------------|---------------------------|
|   | 2016                    | 2015                 |                           | 2016                     | 2015        |                           |
| Current assets                              | \$ 92,414,833           | \$ 23,316,350        | \$ 69,098,483             | \$ 14,666                | \$ -        | \$ 14,666                 |
| Capital assets                              | 88,357,158              | 83,828,170           | 4,528,988                 | -                        | -           | -                         |
| <b>Total Assets</b>                         | <b>180,771,990</b>      | <b>107,144,519</b>   | <b>73,627,471</b>         | <b>14,666</b>            | <b>-</b>    | <b>14,666</b>             |
| Deferred charges on refunding               | 4,683,398               | 1,874,577            | 2,808,821                 | -                        | -           | -                         |
| Deferred outflow related to pensions        | 7,669,345               | 1,525,674            | 6,143,671                 | -                        | -           | -                         |
| <b>Total Deferred Outflows of Resources</b> | <b>12,352,743</b>       | <b>3,400,251</b>     | <b>8,952,492</b>          | <b>-</b>                 | <b>-</b>    | <b>-</b>                  |
| Current liabilities                         | 3,102,686               | 1,944,456            | 1,158,230                 | -                        | -           | -                         |
| Long-term liabilities                       | 159,507,814             | 82,230,368           | 77,277,446                | -                        | -           | -                         |
| <b>Total Liabilities</b>                    | <b>162,610,500</b>      | <b>84,174,824</b>    | <b>78,435,676</b>         | <b>-</b>                 | <b>-</b>    | <b>-</b>                  |
| Deferred inflow related to pensions         | 2,280,005               | 1,798,122            | 481,883                   | -                        | -           | -                         |
| <b>Total Deferred Inflows of Resources</b>  | <b>2,280,005</b>        | <b>1,798,122</b>     | <b>481,883</b>            | <b>-</b>                 | <b>-</b>    | <b>-</b>                  |
| <b>Net Position:</b>                        |                         |                      |                           |                          |             |                           |
| Net investment in capital assets            | 3,334,834               | 7,476,291            | (4,141,457)               | -                        | -           | -                         |
| Restricted                                  | 7,912,108               | 5,663,210            | 2,248,898                 | -                        | -           | -                         |
| Unrestricted                                | 16,987,286              | 11,432,323           | 5,554,963                 | 14,666                   | -           | 14,666                    |
| <b>Total Net Position</b>                   | <b>\$ 28,234,228</b>    | <b>\$ 24,571,824</b> | <b>\$ 3,662,404</b>       | <b>\$ 14,666</b>         | <b>\$ -</b> | <b>\$ 14,666</b>          |

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2016

**Table 2**  
**Changes in Net Position**

|   | Governmental<br>Activities |                      | Total<br>Change<br>2016-2015 | Business-Type<br>Activities |                 | Total<br>Change<br>2016-2015 |
|---|----------------------------|----------------------|------------------------------|-----------------------------|-----------------|------------------------------|
|   | 2016                       | 2015                 |                              | 2016                        | 2015            |                              |
| <b>Revenues</b>                                 |                            |                      |                              |                             |                 |                              |
| Program revenues:                               |                            |                      |                              |                             |                 |                              |
| Charges for services                            | \$ 1,143,524               | \$ 998,288           | \$ 145,236                   | \$ 120,795                  | \$ 94,790       | \$ 26,005                    |
| Operating grants and contributions              | 11,920,963                 | 11,276,976           | 643,987                      | 1,376                       | 354             | 1,022                        |
| General revenues:                               |                            |                      |                              |                             |                 |                              |
| Property taxes                                  | 33,880,016                 | 30,086,550           | 3,793,466                    | -                           | -               | -                            |
| State foundation program                        | 28,918,462                 | 24,151,914           | 4,766,548                    | -                           | -               | -                            |
| Investment earnings                             | 264,156                    | 113,597              | 150,559                      | -                           | -               | -                            |
| Miscellaneous                                   | 3,292,948                  | 1,765,211            | 1,527,737                    | -                           | -               | -                            |
| <b>Total Revenue</b>                            | <u>79,420,069</u>          | <u>68,392,536</u>    | <u>11,027,533</u>            | <u>122,171</u>              | <u>95,144</u>   | <u>27,027</u>                |
| <b>Expenses</b>                                 |                            |                      |                              |                             |                 |                              |
| Instruction                                     | 37,784,292                 | 33,963,715           | 3,820,577                    | -                           | -               | -                            |
| Instructional resources and media services      | 663,699                    | 628,156              | 35,543                       | -                           | -               | -                            |
| Curriculum and staff development                | 1,176,755                  | 407,097              | 769,658                      | -                           | -               | -                            |
| Instructional leadership                        | 2,116,954                  | 1,612,385            | 504,569                      | -                           | -               | -                            |
| School leadership                               | 3,505,902                  | 2,970,785            | 535,117                      | -                           | -               | -                            |
| Guidance, counseling, and evaluation services   | 2,123,602                  | 1,546,872            | 576,730                      | -                           | -               | -                            |
| Health services                                 | 468,366                    | 428,460              | 39,906                       | -                           | -               | -                            |
| Student (pupil) transportation                  | 3,630,330                  | 3,537,612            | 92,718                       | -                           | -               | -                            |
| Food services                                   | 3,830,793                  | 3,300,982            | 529,811                      | -                           | -               | -                            |
| Co-curricular/extracurricular activities        | 1,995,966                  | 1,648,411            | 347,555                      | -                           | -               | -                            |
| General administration                          | 2,431,881                  | 2,470,687            | (38,806)                     | -                           | -               | -                            |
| Plant maintenance and operations                | 9,391,002                  | 5,313,139            | 4,077,863                    | -                           | -               | -                            |
| Security and monitoring                         | 469,348                    | 418,525              | 50,823                       | -                           | -               | -                            |
| Data processing services                        | 1,039,176                  | 837,440              | 201,736                      | -                           | -               | -                            |
| Community services                              | 183,692                    | 158,382              | 25,310                       | -                           | -               | -                            |
| Interest on long-term debt                      | 3,524,743                  | 3,466,290            | 58,453                       | -                           | -               | -                            |
| Bond issuance costs and fees                    | 963,953                    | 140,745              | 823,208                      | -                           | -               | -                            |
| Other intergovernmental charges                 | 457,211                    | 358,499              | 98,712                       | -                           | -               | -                            |
| Vending   | -                          | -                    | -                            | 107,505                     | 185,115         | (77,610)                     |
| <b>Total Expenses</b>                           | <u>75,757,665</u>          | <u>63,208,182</u>    | <u>12,549,483</u>            | <u>107,505</u>              | <u>185,115</u>  | <u>(77,610)</u>              |
| Transfers (In/Out)                              | -                          | 89,971               | (89,971)                     | -                           | (89,971)        | 89,971                       |
| <b>Total Other Financing Sources and (Uses)</b> | <u>-</u>                   | <u>89,971</u>        | <u>(89,971)</u>              | <u>-</u>                    | <u>(89,971)</u> | <u>89,971</u>                |
| <b>Change in Net Position</b>                   | 3,662,404                  | 5,094,383            | (1,431,979)                  | 14,666                      | -               | 14,666                       |
| Beginning net position                          | 24,571,824                 | 19,477,441           | 5,094,383                    | -                           | -               | -                            |
| <b>Ending Net Position</b>                      | <u>\$ 28,234,228</u>       | <u>\$ 24,571,824</u> | <u>\$ 3,662,404</u>          | <u>\$ 14,666</u>            | <u>\$ -</u>     | <u>\$ 14,666</u>             |

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

At the close of the fiscal year ending August 31, 2016, the District's governmental funds reported a combined fund balance of \$86,823,630. This compares to a combined fund balance of \$19,151,194 at August 31, 2015. Both the general fund and debt service fund balances increased due to an increase in local and state revenues, while the capital project fund balance increased as a result of proceeds received from the issuance of unlimited school building bonds from which projects are being funded beyond the current fiscal year.

# **WALLER INDEPENDENT SCHOOL DISTRICT**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***

**For the Year Ended August 31, 2016**

### **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, 2016, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues exceeded budgeted revenues by \$2,072,691 and the actual expenditures were less than budgeted expenditures by \$4,453,761.

### **CAPITAL ASSETS**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2016, 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, 2016, the District had a total of \$128,949,190 invested in capital assets such as land, buildings, and District equipment. This total includes \$7,327,911 invested during the fiscal year ended August 31, 2016.

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 \$131,685,000 in general obligation bonds outstanding versus \$72,730,000 last year. The net increase is due to principal payments paid this fiscal year, totaling \$3,165,000, along with the issuance of unlimited school building and refunding bonds in the amount of \$100,725,000. The refunding bonds were issued to refund series 2005 and 2008 refunding bonds.

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

### **ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGETS**

The following factors were considered in establishing the District's budget for 2016-2017:

- Student enrollment for 2016-2017 is expected to remain approximately the same when compared to 2015-2016. District officials anticipate no significant change in the rate of attendance for the year 2017 compared to the year 2016; 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 2016-2017.
- The District's total tax rate remained the same as the previous year at \$1.44 per \$100 valuation, with the Maintenance and Operations tax rate at \$1.04 and the Interest and Sinking tax rate at \$0.40.
- The District has several projects currently in process, along with several more projects planned to be expended out of the proceeds from the issuance of the unlimited school building bonds, series 2016.

# **WALLER INDEPENDENT SCHOOL DISTRICT**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***

**For the Year Ended August 31, 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 2016-2017.
- District officials anticipate that the fund balance for the general fund will not materially change for 2016-2017 compared to 2015-2016.

### **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, 2016

| Data<br>Control<br>Codes               | 1                          | 2                           | 3                    |
|--|----------------------------|-----------------------------|----------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                |
| <b>ASSETS:</b>                         |                            |                             |                      |
| 1110                                   | \$ 85,730,714              | \$ 14,666                   | \$ 85,745,380        |
| 1120                                   | 5,896                      | --                          | 5,896                |
| 1220                                   | 4,011,144                  | --                          | 4,011,144            |
| 1230                                   | (1,288,492)                | --                          | (1,288,492)          |
| 1240                                   | 3,413,932                  | --                          | 3,413,932            |
| 1290                                   | 1,694                      | --                          | 1,694                |
| 1410                                   | 539,945                    | --                          | 539,945              |
| Capital Assets:                        |                            |                             |                      |
| 1510                                   | 3,851,681                  | --                          | 3,851,681            |
| 1520                                   | 76,179,313                 | --                          | 76,179,313           |
| 1530                                   | 3,921,852                  | --                          | 3,921,852            |
| 1580                                   | 4,404,312                  | --                          | 4,404,312            |
| 1000                                   | <u>180,771,990</u>         | <u>14,666</u>               | <u>180,786,656</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b> |                            |                             |                      |
| 1700                                   | 4,683,398                  | --                          | 4,683,398            |
| 1705                                   | 7,669,345                  | --                          | 7,669,345            |
| 1700                                   | <u>12,352,743</u>          | <u>--</u>                   | <u>12,352,743</u>    |
| <b>LIABILITIES:</b>                    |                            |                             |                      |
| 2110                                   | 87,591                     | --                          | 87,591               |
| 2140                                   | 234,137                    | --                          | 234,137              |
| 2165                                   | 2,655,733                  | --                          | 2,655,733            |
| 2180                                   | 48,223                     | --                          | 48,223               |
| 2300                                   | 77,002                     | --                          | 77,002               |
| Noncurrent Liabilities:                |                            |                             |                      |
| 2501                                   | 3,460,000                  | --                          | 3,460,000            |
| 2502                                   | 143,480,939                | --                          | 143,480,939          |
| 2540                                   | 12,566,875                 | --                          | 12,566,875           |
| 2000                                   | <u>162,610,500</u>         | <u>--</u>                   | <u>162,610,500</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>  |                            |                             |                      |
| 2605                                   | 2,280,005                  | --                          | 2,280,005            |
| 2600                                   | <u>2,280,005</u>           | <u>--</u>                   | <u>2,280,005</u>     |
| <b>NET POSITION:</b>                   |                            |                             |                      |
| 3200                                   | 3,334,834                  | --                          | 3,334,834            |
| Restricted For:                        |                            |                             |                      |
| 3820                                   | 984,340                    | --                          | 984,340              |
| 3850                                   | 6,927,768                  | --                          | 6,927,768            |
| 3900                                   | 16,987,286                 | 14,666                      | 17,001,952           |
| 3000                                   | <u>\$ 28,234,228</u>       | <u>\$ 14,666</u>            | <u>\$ 28,248,894</u> |

The accompanying notes are an integral part of this statement.

# WALLER INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

| Data<br>Control<br>Codes | Functions/Programs  | 1<br>Expenses        | 3<br>Program Revenues   |   |
|--------------------------|---|----------------------|-------------------------|---|
|                          |   |                      | Charges for<br>Services | 4<br>Operating<br>Grants and<br>Contributions |
|                          | Governmental Activities:  |                      |                         |   |
| 11                       | <i>Instruction</i>  | \$ 37,784,292        | \$ 30,860               | \$ 5,523,588                                  |
| 12                       | <i>Instructional Resources and Media Services</i>                   | 663,699              | --                      | 38,417  |
| 13                       | <i>Curriculum and Staff Development</i>                             | 1,176,755            | --                      | 80,758  |
| 21                       | <i>Instructional Leadership</i>                                     | 2,116,954            | --                      | 850,862                                       |
| 23                       | <i>School Leadership</i>  | 3,505,902            | --                      | 202,812                                       |
| 31                       | <i>Guidance, Counseling, &amp; Evaluation Services</i>              | 2,123,602            | --                      | 182,749                                       |
| 33                       | <i>Health Services</i>  | 468,366              | --                      | 26,995  |
| 34                       | <i>Student Transportation</i>                                       | 3,630,330            | --                      | 536,252                                       |
| 35                       | <i>Food Service</i>   | 3,830,793            | 809,678                 | 2,903,229                                     |
| 36                       | <i>Cocurricular/Extracurricular Activities</i>                      | 1,995,966            | 302,986                 | 114,904                                       |
| 41                       | <i>General Administration</i>                                       | 2,431,881            | --                      | 147,333                                       |
| 51                       | <i>Facilities Maintenance and Operations</i>                        | 9,391,002            | --                      | 490,347                                       |
| 52                       | <i>Security and Monitoring Services</i>                             | 469,348              | --                      | 26,303  |
| 53                       | <i>Data Processing Services</i>                                     | 1,039,176            | --                      | 59,874  |
| 61                       | <i>Community Services</i>   | 183,692              | --                      | 94,722  |
| 72                       | <i>Interest on Long-term Debt</i>                                   | 3,524,743            | --                      | 641,818                                       |
| 73                       | <i>Bond Issuance Costs and Fees</i>                                 | 963,953              | --                      | --  |
| 99                       | <i>Other Intergovernmental Charges</i>                              | 457,211              | --                      | --  |
| TG                       | Total Governmental Activities                                       | <u>75,757,665</u>    | <u>1,143,524</u>        | <u>11,920,963</u>                             |
|                          | Business-type Activities:   |                      |                         |   |
| 01                       | <i>Vending</i>  | 107,505              | 120,795                 | 1,376   |
| TB                       | Total Business-type Activities                                      | <u>107,505</u>       | <u>120,795</u>          | <u>1,376</u>                                  |
| TP                       | Total Primary Government  | <u>\$ 75,865,170</u> | <u>\$ 1,264,319</u>     | <u>\$ 11,922,339</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  |                      |                         |   |
| NE                       | Net Position - Ending   |                      |                         |   |

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

| <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>         |
|------------------------------------|-------------------------------------|----------------------|
| \$ (32,229,844)                    | \$ --                               | \$ (32,229,844)      |
| (625,282)                          | --                                  | (625,282)            |
| (1,095,997)                        | --                                  | (1,095,997)          |
| (1,266,092)                        | --                                  | (1,266,092)          |
| (3,303,090)                        | --                                  | (3,303,090)          |
| (1,940,853)                        | --                                  | (1,940,853)          |
| (441,371)                          | --                                  | (441,371)            |
| (3,094,078)                        | --                                  | (3,094,078)          |
| (117,886)                          | --                                  | (117,886)            |
| (1,578,076)                        | --                                  | (1,578,076)          |
| (2,284,548)                        | --                                  | (2,284,548)          |
| (8,900,655)                        | --                                  | (8,900,655)          |
| (443,045)                          | --                                  | (443,045)            |
| (979,302)                          | --                                  | (979,302)            |
| (88,970)                           | --                                  | (88,970)             |
| (2,882,925)                        | --                                  | (2,882,925)          |
| (963,953)                          | --                                  | (963,953)            |
| (457,211)                          | --                                  | (457,211)            |
| <u>(62,693,178)</u>                | <u>--</u>                           | <u>(62,693,178)</u>  |
| --                                 | 14,666                              | 14,666               |
| --                                 | <u>14,666</u>                       | <u>14,666</u>        |
| <u>(62,693,178)</u>                | <u>14,666</u>                       | <u>(62,678,512)</u>  |
| 24,476,879                         | --                                  | 24,476,879           |
| 9,403,137                          | --                                  | 9,403,137            |
| 264,156                            | --                                  | 264,156              |
| 28,918,462                         | --                                  | 28,918,462           |
| 3,292,948                          | --                                  | 3,292,948            |
| <u>66,355,582</u>                  | <u>--</u>                           | <u>66,355,582</u>    |
| 3,662,404                          | 14,666                              | 3,677,070            |
| 24,571,824                         | --                                  | 24,571,824           |
| <u>\$ 28,234,228</u>               | <u>\$ 14,666</u>                    | <u>\$ 28,248,894</u> |

# WALLER INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2016

| Data<br>Control<br>Codes  | 10<br>General<br>Fund                       | 50<br>Debt<br>Service<br>Fund |
|---|---|-------------------------------|
| <b>ASSETS:</b>  |   |                               |
| 1110 <i>Cash and Cash Equivalents</i>   | \$ 15,936,687                               | \$ 6,927,622                  |
| 1120 <i>Current Investments</i>   | 5,622                                       | 146                           |
| 1220 <i>Taxes Receivable, Delinquent</i>  | 2,996,863                                   | 1,014,281                     |
| 1230 <i>Allowance for Uncollectible Taxes</i>                                       | (1,024,735)                                 | (263,757)                     |
| 1240 <i>Due from Other Governments</i>  | 3,010,386                                   | --                            |
| 1260 <i>Due from Other Funds</i>  | 424,632                                     | --                            |
| 1290 <i>Other Receivables</i>   | 1,694                                       | --                            |
| 1410 <i>Prepaid Items</i>   | 539,945                                     | --                            |
| 1000 <b>Total Assets</b>  | <u>21,891,093</u>                           | <u>7,678,292</u>              |
| <b>LIABILITIES:</b>   |   |                               |
| Current Liabilities:  |   |                               |
| 2110 <i>Accounts Payable</i>  | \$ 87,591                                   | \$ --                         |
| 2150 <i>Payroll Deductions &amp; Withholdings</i>                                   | (2,772)                                     | --                            |
| 2160 <i>Accrued Wages Payable</i>   | 2,658,505                                   | --                            |
| 2170 <i>Due to Other Funds</i>  | 134,511                                     | --                            |
| 2180 <i>Due to Other Governments</i>  | 48,223                                      | --                            |
| 2300 <i>Unearned Revenue</i>  | --  | --                            |
| 2000 <b>Total Liabilities</b>   | <u>2,926,058</u>                            | <u>--</u>                     |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>   |   |                               |
|   | <i>Unavailable Revenue - Property Taxes</i> | 750,524                       |
| 2600 <b>Total Deferred Inflows of Resources</b>                                     | <u>1,972,128</u>                            | <u>750,524</u>                |
| <b>FUND BALANCES:</b>   |   |                               |
| Nonspendable Fund Balances:   |   |                               |
| 3430 <i>Prepaid Items</i>   | 539,945                                     | --                            |
| Restricted Fund Balances:   |   |                               |
| 3450 <i>Federal/State Funds Grant Restrictions</i>                                  | --  | --                            |
| 3480 <i>Retirement of Long-Term Debt</i>  | --  | 6,927,768                     |
| 3490 <i>Other Restrictions of Fund Balance</i>                                      | --  | --                            |
| Committed Fund Balances:  |   |                               |
| 3510 <i>Construction</i>  | --  | --                            |
| 3600 <i>Unassigned</i>  | 16,452,962                                  | --                            |
| 3000 <b>Total Fund Balances</b>   | <u>16,992,907</u>                           | <u>6,927,768</u>              |
| 4000 <b>Total Liabilities, Deferred Inflows<br/>of Resources, and Fund Balances</b> | <u>\$ 21,891,093</u>                        | <u>\$ 7,678,292</u>           |

The accompanying notes are an integral part of this statement.

| 60<br>Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|-----------------------------------|--------------------------------|--------------------------------------|
| \$ 61,918,487                     | \$ 947,917                     | \$ 85,730,713                        |
| 128                               | --                             | 5,896                                |
| --                                | --                             | 4,011,144                            |
| --                                | --                             | (1,288,492)                          |
| --                                | 403,546                        | 3,413,932                            |
| --                                | --                             | 424,632                              |
| --                                | --                             | 1,694                                |
| --                                | --                             | 539,945                              |
| <u>61,918,615</u>                 | <u>1,351,463</u>               | <u>92,839,463</u>                    |
| <br>                              |                                |                                      |
| \$ --                             | \$ --                          | \$ 87,591                            |
| --                                | --                             | (2,772)                              |
| --                                | --                             | 2,658,505                            |
| --                                | 290,121                        | 424,632                              |
| --                                | --                             | 48,223                               |
| --                                | 77,002                         | 77,002                               |
| <u>--</u>                         | <u>367,123</u>                 | <u>3,293,181</u>                     |
| <br>                              |                                |                                      |
| <u>--</u>                         | <u>--</u>                      | <u>2,722,652</u>                     |
| <u>--</u>                         | <u>--</u>                      | <u>2,722,652</u>                     |
| <br>                              |                                |                                      |
| --                                | --                             | 539,945                              |
| --                                | 983,990                        | 983,990                              |
| --                                | --                             | 6,927,768                            |
| --                                | 350                            | 350                                  |
| 61,918,615                        | --                             | 61,918,615                           |
| --                                | --                             | 16,452,962                           |
| <u>61,918,615</u>                 | <u>984,340</u>                 | <u>86,823,630</u>                    |
| <br>                              |                                |                                      |
| <u>\$ 61,918,615</u>              | <u>\$ 1,351,463</u>            | <u>\$ 92,839,463</u>                 |

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**WALLER INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 AUGUST 31, 2016*

|  |                      |
|--|----------------------|
| Total fund balances - governmental funds balance sheet   | \$ 86,823,630        |
| 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.                                | 88,357,157           |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.      | 2,722,656            |
| Payables for bond principal which are not due in the current period are not reported in the funds.           | (141,850,318)        |
| Payables for bond interest which are not due in the current period are not reported in the funds.            | (641,362)            |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (13,348,685)         |
| Deferred inflows of resources related to Teacher Retirement System (TRS) are not reported in the funds.      | (2,280,005)          |
| Deferred outflows of resources related to TRS are not reported in the funds.                                 | <u>8,451,155</u>     |
| Net position of governmental activities - Statement of Net Position  | <u>\$ 28,234,228</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, 2016**

| Data<br>Control<br>Codes                                    | 10<br><u>General<br/>Fund</u> | 50<br><u>Debt<br/>Service<br/>Fund</u> |
|---|-------------------------------|--|
| <b>REVENUES:</b>  |                               |  |
| 5700 <i>Local and Intermediate Sources</i>                  | \$ 24,747,197                 | \$ 9,359,679                           |
| 5800 <i>State Program Revenues</i>                          | 31,516,333                    | 641,818                                |
| 5900 <i>Federal Program Revenues</i>                        | 863,082                       | --                                     |
| 5020 <b>Total Revenues</b>                                  | <u>57,126,612</u>             | <u>10,001,497</u>                      |
| <b>EXPENDITURES:</b>  |                               |  |
| Current:  |                               |  |
| 0011 <i>Instruction</i>                                     | 30,170,806                    | --                                     |
| 0012 <i>Instructional Resources and Media Services</i>      | 598,931                       | --                                     |
| 0013 <i>Curriculum and Staff Development</i>                | 1,028,326                     | --                                     |
| 0021 <i>Instructional Leadership</i>                        | 1,013,005                     | --                                     |
| 0023 <i>School Leadership</i>                               | 3,104,179                     | --                                     |
| 0031 <i>Guidance, Counseling, &amp; Evaluation Services</i> | 1,835,835                     | --                                     |
| 0033 <i>Health Services</i>                                 | 421,452                       | --                                     |
| 0034 <i>Student Transportation</i>                          | 3,027,386                     | --                                     |
| 0035 <i>Food Service</i>                                    | --                            | --                                     |
| 0036 <i>Cocurricular/Extracurricular Activities</i>         | 1,999,517                     | --                                     |
| 0041 <i>General Administration</i>                          | 2,176,619                     | --                                     |
| 0051 <i>Facilities Maintenance and Operations</i>           | 5,783,866                     | --                                     |
| 0052 <i>Security and Monitoring Services</i>                | 433,062                       | --                                     |
| 0053 <i>Data Processing Services</i>                        | 1,079,690                     | --                                     |
| 0061 <i>Community Services</i>                              | 66,868                        | --                                     |
| 0071 <i>Principal on Long-term Debt</i>                     | --                            | 3,165,000                              |
| 0072 <i>Interest on Long-term Debt</i>                      | --                            | 4,626,539                              |
| 0073 <i>Bond Issuance Costs and Fees</i>                    | --                            | 407,290                                |
| 0081 <i>Capital Outlay</i>                                  | 424,525                       | --                                     |
| 0099 <i>Other Intergovernmental Charges</i>                 | 457,211                       | --                                     |
| 6030 <b>Total Expenditures</b>                              | <u>53,621,278</u>             | <u>8,198,829</u>                       |
| 1100 Excess (Deficiency) of Revenues Over (Under)           |                               |  |
| 1100 Expenditures   | <u>3,505,334</u>              | <u>1,802,668</u>                       |
| Other Financing Sources and (Uses):                         |                               |  |
| 7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>     | --                            | 36,265,000                             |
| 7916 <i>Premium or Discount on Issuance of Bonds</i>        | --                            | 5,719,272                              |
| 8949 <i>Other Uses</i>                                      | --                            | (41,787,086)                           |
| 7080 <b>Total Other Financing Sources and (Uses)</b>        | <u>--</u>                     | <u>197,186</u>                         |
| 1200 <b>Net Change in Fund Balances</b>                     | <u>3,505,334</u>              | <u>1,999,854</u>                       |
| 0100 <b>Fund Balances - Beginning</b>                       | <u>13,487,573</u>             | <u>4,927,914</u>                       |
| 3000 <b>Fund Balances - Ending</b>                          | <u>\$ 16,992,907</u>          | <u>\$ 6,927,768</u>                    |

The accompanying notes are an integral part of this statement.



| 60<br>Capital<br>Projects<br>Fund | Other<br>Governmental<br>Funds | 98<br>Total<br>Governmental<br>Funds |
|-----------------------------------|--------------------------------|--------------------------------------|
| \$ 143,144                        | \$ 809,678                     | \$ 35,059,698                        |
| --                                | 482,702                        | 32,640,853                           |
| --                                | 7,335,490                      | 8,198,572                            |
| <u>143,144</u>                    | <u>8,627,870</u>               | <u>75,899,123</u>                    |
| --                                | 3,521,021                      | 33,691,827                           |
| --                                | --                             | 598,931                              |
| --                                | 13,651                         | 1,041,977                            |
| --                                | 775,145                        | 1,788,150                            |
| --                                | --                             | 3,104,179                            |
| --                                | 63,649                         | 1,899,484                            |
| --                                | --                             | 421,452                              |
| 1,264,062                         | 350,998                        | 4,642,446                            |
| --                                | 3,428,211                      | 3,428,211                            |
| --                                | --                             | 1,999,517                            |
| --                                | 6,811                          | 2,183,430                            |
| --                                | 129,725                        | 5,913,591                            |
| 357,159                           | --                             | 790,221                              |
| --                                | --                             | 1,079,690                            |
| --                                | 89,616                         | 156,484                              |
| --                                | --                             | 3,165,000                            |
| --                                | --                             | 4,626,539                            |
| 556,663                           | --                             | 963,953                              |
| 7,923,718                         | --                             | 8,348,243                            |
| --                                | --                             | 457,211                              |
| <u>10,101,602</u>                 | <u>8,378,827</u>               | <u>80,300,536</u>                    |
| <u>(9,958,458)</u>                | <u>249,043</u>                 | <u>(4,401,413)</u>                   |
| 64,460,000                        | --                             | 100,725,000                          |
| 7,416,663                         | --                             | 13,135,935                           |
| --                                | --                             | (41,787,086)                         |
| <u>71,876,663</u>                 | <u>--</u>                      | <u>72,073,849</u>                    |
| 61,918,205                        | 249,043                        | 67,672,436                           |
| 410                               | 735,297                        | 19,151,194                           |
| <u>\$ 61,918,615</u>              | <u>\$ 984,340</u>              | <u>\$ 86,823,630</u>                 |

**WALLER INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2016*

|  |                     |
|--|---------------------|
| Net change in fund balances - total governmental funds   | \$ 67,672,436       |
| Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:       |                     |
| Capital outlays are not reported as expenses in the SOA.   | 7,327,912           |
| The depreciation of capital assets used in governmental activities is not reported in the funds.               | (2,798,922)         |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.        | 295,039             |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.                   | 3,165,000           |
| Bond issuance costs and similar items 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.                          | 785,331             |
| (Increase) decrease in accrued interest from beginning of period to end of period.                             | (27,225)            |
| Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA. | 41,787,086          |
| Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.       | (100,725,000)       |
| Bond premiums are reported in the funds but not in the SOA.  | (13,135,935)        |
| GASB 68 required certain expenditures to be de-expended and recorded as deferred outflows of resources.        | 3,225,906           |
| The District's share of the unrecognized deferred inflows and outflows for TRS had to be amortized.            | <u>(4,252,913)</u>  |
| Change in net position of governmental activities - Statement of Activities                                    | <u>\$ 3,662,404</u> |

The accompanying notes are an integral part of this statement.

**WALLER INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

ENTERPRISE FUND

AUGUST 31, 2016

| Data<br>Control<br>Codes |                                  | Nonmajor<br>Enterprise<br>Fund<br><u>          </u><br>Vending<br>Machines<br>Fund<br><u>          </u> |
|--------------------------|----------------------------------|---|
| <b>ASSETS:</b>           |                                  |   |
|                          | Current Assets:                  |   |
| 1110                     | <i>Cash and Cash Equivalents</i> | \$ 14,666   |
|                          | Total Current Assets             | <u>14,666</u>   |
| 1000                     | Total Assets                     | <u>14,666</u>   |
| <b>LIABILITIES:</b>      |                                  |   |
| 2000                     | Total Liabilities                | <u>          </u><br>--   |
| <b>NET POSITION:</b>     |                                  |   |
| 3900                     | <i>Unrestricted</i>              | \$ 14,666   |
| 3000                     | Total Net Position               | <u>\$ 14,666</u>  |

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, 2016**

| Data<br>Control<br>Codes |                                       | Nonmajor<br>Enterprise<br>Fund<br><hr/> Vending<br>Machines<br>Fund <hr/> |
|--------------------------|---------------------------------------|---|
|                          | <b>OPERATING REVENUES:</b>            |   |
| 5700                     | <i>Local and Intermediate Sources</i> | \$ 120,795  |
| 5800                     | <i>State Program Revenues</i>         | 1,376   |
| 5020                     | Total Revenues                        | <hr/> 122,171 <hr/>   |
|                          | <b>OPERATING EXPENSES:</b>            |   |
| 6100                     | <i>Payroll Costs</i>                  | 23,589  |
| 6300                     | <i>Supplies and Materials</i>         | 83,916  |
| 6030                     | Total Expenses                        | <hr/> 107,505 <hr/>   |
| 1300                     | Change in Net Position                | 14,666  |
| 0100                     | Total Net Position - Beginning        | --  |
| 3300                     | Total Net Position - Ending           | <hr/> \$ 14,666 <hr/>   |

The accompanying notes are an integral part of this statement.

**WALLER INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2016

|   | Nonmajor<br>Enterprise<br>Fund       |
|---|--------------------------------------|
|   | <u>Vending<br/>Machines<br/>Fund</u> |
| <b>Cash Flows from Operating Activities:</b>  |                                      |
| <i>Cash Received from Customers</i>   | \$ 122,170                           |
| <i>Cash Payments to Other Suppliers for Goods and Services</i>  | <u>(107,505)</u>                     |
| Net Cash Provided (Used) by Operating Activities  | <u>14,666</u>                        |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 14,666                               |
| Cash and Cash Equivalents at Beginning of Year  | --                                   |
| Cash and Cash Equivalents at End of Year  | <u>\$ 14,666</u>                     |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>    Provided (Used) by Operating Activities:</b> |                                      |
| Operating Income (Loss)   | \$ 14,666                            |
| Adjustments to Reconcile Operating Income to Net Cash<br>Provided by Operating Activities                     |                                      |
| <i>Provision for Uncollectible Accounts</i>   | --                                   |
| Change in Assets and Liabilities:   |                                      |
| <i>Decrease (Increase) in Receivables</i>   | --                                   |
| <i>Increase (Decrease) in Accounts Payable</i>  | --                                   |
| Total Adjustments   | <u>--</u>                            |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 14,666</u>                     |

The accompanying notes are an integral part of this statement.

**WALLER INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2016

| Data<br>Control<br>Codes |                                  | Agency<br>Fund      |
|--------------------------|----------------------------------|---------------------|
|                          |                                  | Student<br>Activity |
|                          | <b>ASSETS:</b>                   |                     |
| 1110                     | <i>Cash and Cash Equivalents</i> | \$ 314,007          |
| 1000                     | Total Assets                     | <u>314,007</u>      |
|                          | <b>LIABILITIES:</b>              |                     |
|                          | Current Liabilities:             |                     |
| 2190                     | <i>Due to Student Groups</i>     | \$ 314,007          |
| 2000                     | Total Liabilities                | <u>314,007</u>      |
|                          | <b>NET POSITION:</b>             |                     |
| 3000                     | Total Net Position               | <u>\$ --</u>        |

The accompanying notes are an integral part of this statement.

# WALLER INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

### 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, 2016

**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.

**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.

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



**WALLER INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2016*

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 estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

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

## WALLER INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement 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 four 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 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 the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. 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 pension 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 revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

f. Receivable and Payable Balances

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

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

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, 2016

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.

l. Fund Balance Flow Assumptions

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

# WALLER INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

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 as 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.

At August 31, 2016, the District reported the following:

|                       |    |            |
|-----------------------|----|------------|
| Net Pension Asset     | \$ | --         |
| Net Pension Liability | \$ | 12,566,875 |

5. New Accounting Standards Adopted

In fiscal year 2016, the District adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- Statement No. 77, *Tax Abatement Disclosures*

- a. Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques. It also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.
- b. The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.
- c. Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the District or any other government which affect the District's tax revenue.

**WALLER INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2016*

**B. Compliance and Accountability**

1. Finance-Related Legal and Contractual Provisions

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

| <u>Violation</u>   | <u>Action Taken</u>  |
|--|--|
| Expenditures in excess of appropriations in function 35 of the Child Nutrition Fund and in function 71 of the Debt Service Fund. | As required, the District will amend the budget during the year and at year end in anticipation of final expenditures. |

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

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

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

**C. Deposits and Investments**

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

1. Cash Deposits:

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$86,059,387 and the bank balance was \$86,877,908. The District's cash deposits at August 31, 2016, and during the year ended August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

The Public Funds Investment Act (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.

# WALLER INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

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 investment at August 31, 2016 is shown below.

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|--------------------------------------|-----------------|-------------------|
| Lone Star Investment Pool            | N/A             | \$ 5,895          |

### 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, 2016, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

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

\* Rated by Standard and Poor's Investor Services

#### b. Custodial Credit Risk

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

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

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

#### c. Concentration of Credit Risk

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

#### d. Interest Rate Risk

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

#### e. Foreign Currency Risk

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

# WALLER INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

### Investment Accounting Policy

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

### Public Funds Investment Pools

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

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

### Lone Star

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

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

D. Capital Assets

Capital asset activity for the year ended August 31, 2016 was as follows:

|  | Beginning<br>Balances | Increases           | Decreases    | Ending<br>Balances   |
|--|-----------------------|---------------------|--------------|----------------------|
| <u>Governmental activities:</u>              |                       |                     |              |                      |
| <i>Capital assets not being depreciated:</i> |                       |                     |              |                      |
| Land   | \$ 2,935,193          | \$ 916,487          | \$ --        | \$ 3,851,680         |
| Construction in progress                     | 81,440                | 4,322,872           | --           | 4,404,312            |
| Total capital assets not being depreciated   | <u>3,016,633</u>      | <u>5,239,359</u>    | <u>--</u>    | <u>8,255,992</u>     |
| <i>Capital assets being depreciated:</i>     |                       |                     |              |                      |
| Buildings and improvements                   | 108,881,736           | 175,000             | --           | 109,056,736          |
| Equipment                                    | 3,083,070             | 553,091             | --           | 3,636,162            |
| Vehicles                                     | 6,639,839             | 1,360,461           | --           | 8,000,300            |
| Total capital assets being depreciated       | <u>118,604,645</u>    | <u>2,088,552</u>    | <u>--</u>    | <u>120,693,198</u>   |
| Less accumulated depreciation for:           |                       |                     |              |                      |
| Buildings and improvements                   | (30,699,589)          | (2,177,834)         | --           | (32,877,422)         |
| Equipment                                    | (1,732,386)           | (242,177)           | --           | (1,974,563)          |
| Vehicles                                     | (5,361,135)           | (378,912)           | --           | (5,740,047)          |
| Total accumulated depreciation               | <u>(37,793,110)</u>   | <u>(2,798,922)</u>  | <u>--</u>    | <u>(40,592,032)</u>  |
| Total capital assets being depreciated, net  | <u>80,811,535</u>     | <u>(710,369)</u>    | <u>--</u>    | <u>80,101,166</u>    |
| Governmental activities capital assets, net  | <u>\$ 83,828,168</u>  | <u>\$ 4,528,989</u> | <u>\$ --</u> | <u>\$ 88,357,158</u> |

Depreciation was charged to functions as follows:

|   |                     |
|---|---------------------|
| Instruction                                 | \$ 1,503,051        |
| Instructional Resources and Media Services  | 26,719              |
| Curriculum and Staff Development            | 46,484              |
| Instructional Leadership                    | 81,334              |
| School Leadership                           | 138,483             |
| Guidance, Counseling, & Evaluation Services | 84,739              |
| Health Services                             | 18,802              |
| Student Transportation                      | 207,108             |
| Food Services                               | 152,938             |
| Extracurricular Activities                  | 89,202              |
| General Administration                      | 95,845              |
| Plant Maintenance and Operations            | 263,816             |
| Security and Monitoring Services            | 35,253              |
| Data Processing Services                    | 48,167              |
| Community Services                          | 6,981               |
|   | <u>\$ 2,798,922</u> |

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2016 consisted of the following:

| Due To Fund  | Due From Fund         | Amount            | Purpose          |
|--------------|-----------------------|-------------------|------------------|
| Payroll Fund | General Fund          | \$ 134,511        | Short-term loans |
| General Fund | Special Revenue Funds | 290,120           | Short-term loans |
|              | Total                 | <u>\$ 424,632</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, 2016**

F. 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, 2016 are as follows:

|                                 | Original<br>Issue     | Beginning<br>Balances | Net<br>Changes       | Ending<br>Balance     | Amounts<br>Due Within<br>One Year |
|---------------------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------------------|
| <u>Governmental activities:</u> |                       |                       |                      |                       |                                   |
| Bonds, Series 2005              | \$ 7,725,000          | \$ 6,920,000          | \$ (6,920,000)       | \$ --                 | \$ --                             |
| Bonds, Series 2008              | 49,290,000            | 35,440,000            | (33,120,000)         | 2,320,000             | 1,135,000                         |
| Refunding Bonds, Series 2010    | 12,255,000            | 9,890,000             | (755,000)            | 9,135,000             | 785,000                           |
| Refunding Bonds, Series 2012    | 9,180,000             | 8,505,000             | (520,000)            | 7,985,000             | 635,000                           |
| Refunding Bonds, Series 2013    | 5,525,000             | 3,595,000             | (355,000)            | 3,240,000             | 255,000                           |
| Refunding Bonds, Series 2014    | 8,500,000             | 8,380,000             | (100,000)            | 8,280,000             | 100,000                           |
| Refunding Bonds, Series 2015    | 7,180,000             | --                    | 7,180,000            | 7,180,000             | --                                |
| Bonds, Series 2016              | 93,545,000            | --                    | 93,545,000           | 93,545,000            | 550,000                           |
|                                 | <u>193,200,000</u>    | <u>72,730,000</u>     | <u>58,955,000</u>    | <u>131,685,000</u>    | <u>3,460,000</u>                  |
| <u>Other liabilities:</u>       |                       |                       |                      |                       |                                   |
| Bond premium                    | --                    | 2,429,735             | 12,418,981           | 14,848,715            | --                                |
| Accreted interest on CAB's      | --                    | 1,192,554             | (785,331)            | 407,222               | --                                |
| Net pension liability           | --                    | 5,878,080             | 6,688,795            | 12,566,875            | --                                |
| Total governmental activities   | <u>\$ 193,200,000</u> | <u>\$ 82,230,369</u>  | <u>\$ 77,277,444</u> | <u>\$ 159,507,813</u> | <u>\$ 3,460,000</u>               |
|                                 |                       |                       |                      | <u>\$ 156,047,813</u> |                                   |

Bonded indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. These bonds were issued as school building bonds or refunding bonds and the interest rates on the bonds ranged from 0% to 5%. Interest expense was \$4,734,135 for the year ended August 31, 2016.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2016 are as follows:

| Year Ending August 31, | Governmental Activities |                      |                       |
|------------------------|-------------------------|----------------------|-----------------------|
|                        | Principal               | Interest             | Total                 |
| 2017                   | \$ 3,460,000            | \$ 5,336,106         | \$ 8,796,106          |
| 2018                   | 4,000,000               | 5,215,866            | 9,215,866             |
| 2019                   | 4,105,000               | 5,510,075            | 9,615,075             |
| 2020                   | 5,075,000               | 4,910,125            | 9,985,125             |
| 2021                   | 5,295,000               | 4,708,125            | 10,003,125            |
| 2022-2026              | 26,760,000              | 20,342,213           | 47,102,213            |
| 2027-2031              | 21,865,000              | 15,413,688           | 37,278,688            |
| 2032-2036              | 26,130,000              | 10,247,750           | 36,377,750            |
| 2037-2041              | 17,585,000              | 5,068,450            | 22,653,450            |
| 2042-2046              | 17,410,000              | 1,796,600            | 19,206,600            |
| Totals                 | <u>\$ 131,685,000</u>   | <u>\$ 78,548,997</u> | <u>\$ 210,233,997</u> |

**WALLER INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2016*

3. Advance Refunding of Debt

The District issued \$7,180,000 of unlimited tax refunding bonds, series 2015 to provide resources to purchase direct obligations of the United States of America, of which \$8,394,621 was placed in an irrevocable trust for the purpose of generating resources for a portion of future debt service payments of outstanding long-term debt issued in unlimited tax refunding bonds, series 2005. As a result, the refunded portion of the bonds is considered to be defeased and the pro-rata portion of the liability has been removed from the applicable governmental columns in the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,814,621. This amount is being netted against the new debt and amortized over the remaining life of the old debt issued. The current refunding resulted in an economic gain of \$1,352,169 and a reduction of \$1,611,438 in future debt service payments.

The District issued \$29,085,000 of unlimited tax refunding bonds, series 2016 to provide resources to purchase direct obligations of the United States of America, of which \$33,392,465 was placed in an irrevocable trust for the purpose of generating resources for a portion of future debt service payments of outstanding long-term debt issued in unlimited tax refunding bonds, series 2008. As a result, the refunded portion of the bonds is considered to be defeased and the pro-rata portion of the liability has been removed from the applicable governmental columns in the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,367,465. This amount is being netted against the new debt and amortized over the remaining life of the old debt issued. The current refunding resulted in an economic gain of \$5,080,782 and a reduction of \$5,483,599 in future debt service payments.

G. Commitments Under Noncapitalized Leases

The District had no future commitments under operating (noncapitalized) lease agreements for facilities and equipment as of August 31, 2016.

|                             |                   |
|-----------------------------|-------------------|
| Rental Expenditures in 2016 | \$ <u>197,483</u> |
|-----------------------------|-------------------|

H. 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 2016, 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.

I. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The TRS 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.

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

2. Pension Plan Fiduciary Net Position

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

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.

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> |      |
|---|---------------------------|------|
|   | 2015                      | 2016 |
| Member  | 6.7%                      | 7.2% |
| Non-Employer Contributing Entity (NECE - State) | 6.8%                      | 6.8% |
| Employers                                       | 6.8%                      | 6.8% |
| <br>  |                           |      |
| District's 2015 Employer Contributions          | \$ 1,052,686              |      |
| District's 2015 Member Contributions            | \$ 915,808                |      |
| NECE 2015 On-Behalf Contributions to District   | \$ 1,897,083              |      |

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).

# WALLER INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

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 TRS 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.

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, 2015 actuarial evaluation was determined using the following actuarial assumptions:

|  |                             |
|--|-----------------------------|
| Valuation date                               | August 31, 2015             |
| 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 primarily based on a study of actual experience for the four-year period ending August 31, 2014 and adopted on September 24, 2015.

# WALLER INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

### 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. 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, 2015 are summarized below:

| <b>Teacher Retirement System of Texas</b>                          |                      |  |  |
|--|----------------------|--|--|
| <b>Asset Allocation and Long-Term Expected Real Rate of Return</b> |                      |  |  |
| <b>As of August 31, 2015</b>                                       |                      |  |  |
|  | Target<br>Allocation | Long-term<br>Expected<br>Geometric<br>Real Rate of<br>Return | Expected<br>Contribution<br>to Long-term<br>Portfolio<br>Returns * |
| <b>Global Equity</b>   |                      |  |  |
| 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%   |
| <b>Stable Value</b>  |                      |  |  |
| U.S. Treasuries  | 11%                  | 0.7%   | 0.1%   |
| Absolute Return  | 0%                   | 1.8%   | 0.0%   |
| Hedge Funds (Stable Value)   | 4%                   | 3.0%   | 0.1%   |
| Cash   | 1%                   | -0.2%  | 0.0%   |
| <b>Real Return</b>   |                      |  |  |
| Global Inflat. 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%   |
| <b>Risk Parity</b>   |                      |  |  |
| Risk Parity  | 5%                   | 6.7%   | 0.3%   |
| Inflation Expectation  |                      |  | 2.2%   |
| Alpha  |                      |  | 1.0%   |
| <b>Total</b>   | <b>100%</b>          |  | <b>8.7%</b>  |

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

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

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 2015 net pension liability.

|   | 1%<br>Decrease in<br>Discount Rate<br>7% | Discount<br>Rate<br>8% | 1%<br>Increase in<br>Discount Rate<br>9% |
|---|--|------------------------|--|
| District's proportionate share of the net pension liability | \$ 19,689,926                            | \$ 12,566,875          | \$ 6,633,818                             |

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

At August 31, 2016, the District reported a liability of \$12,566,875 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                | \$ 12,566,875        |
| State's proportionate share of the net pension liability associated with the District | <u>22,640,492</u>    |
| Total   | <u>\$ 35,207,367</u> |

The net pension liability was measured as of August 31, 2015 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, 2014 through August 31, 2015.

At August 31, 2015, the District's proportion of the collective net pension liability was 0.0355512%, which was an increase of 0.0135453% from its proportion measured as of August 31, 2014.

**Changes Since the Prior Actuarial Valuation** - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

*Economic Assumptions*

- a. The inflation assumption was decreased from 3.00% to 2.50%.
- b. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- c. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- d. The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

- e. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- f. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

# WALLER INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

- g. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

### *Other Demographic Assumptions*

- h. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities and, therefore, these 10% are no longer being counted as active members.
- i. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- j. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- k. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- l. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

### *Actuarial Methods and Policies*

- m. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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, 2016, the District recognized pension expense of \$3,225,906 and revenue of \$3,225,906 for support provided by the State.

At August 31, 2016, 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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience   | \$ 75,605                            | \$ (482,958)                        |
| Changes in actuarial assumptions  | 317,765                              | (448,331)                           |
| Difference between projected and actual investment earnings   | 3,094,940                            | (1,347,436)                         |
| Changes in proportion and differences between the District's contributions and the proportionate share of contributions | 3,093,090                            | (1,280)                             |
| District contributions paid to TRS subsequent to the measurement date   | 1,087,945                            | --                                  |
| Total   | <u>\$ 7,669,345</u>                  | <u>\$ (2,280,005)</u>               |

# WALLER INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

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<br>August 31 | Pension<br>Expense |
|-------------------------|--------------------|
| 2017                    | \$ 770,177         |
| 2018                    | 770,177            |
| 2019                    | 770,177            |
| 2020                    | 1,219,322          |
| 2021                    | 440,873            |
| Thereafter              | 330,666            |
| Total                   | \$ 4,301,393       |

### J. Retiree Health Care Plans

#### 1. TRS-Care

##### a. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://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 2016, 2015, and 2014 and the active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015, and 2014. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$32,770, \$32,164, and \$31,382, respectively; the active member contributions were \$255,923, \$237,829, and \$219,696, respectively; and the District's contributions were \$216,550, \$201,240, and \$185,896, respectively; which equaled the required contributions each year.

#### 2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$152,110, \$149,173, and \$89,560, respectively.



**WALLER INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2016*

K. Employee Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$275 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator is renewable September 1, 2016, and terms of coverage and premium costs are included in the contractual provisions.

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2016.

M. Workers' Compensation

During the year ended August 31, 2016, 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, 2016, and the terms of coverage and contribution costs are included in the contractual provisions.

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

N. Unemployment Compensation

During the year ended August 31, 2016, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2016, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. This audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

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### *Required Supplementary Information*

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

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**WALLER INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT G-1**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

| Data Control Codes                            |  | 1                    | 2                    | 3                    | Variance with Final Budget Positive (Negative) |
|---|--|----------------------|----------------------|----------------------|--|
|   |  | Budgeted Amounts     |                      |                      |  |
|   |  | Original             | Final                | Actual               |  |
| <b>REVENUES:</b>                              |  |                      |                      |                      |  |
| 5700  | Local and Intermediate Sources               | \$ 23,089,191        | \$ 23,089,191        | \$ 24,747,197        | \$ 1,658,006                                   |
| 5800  | State Program Revenues                       | 26,146,466           | 31,378,060           | 31,516,333           | 138,273  |
| 5900  | Federal Program Revenues                     | 460,000              | 586,670              | 863,082              | 276,412  |
| 5020  | Total Revenues                               | <u>49,695,657</u>    | <u>55,053,921</u>    | <u>57,126,612</u>    | <u>2,072,691</u>                               |
| <b>EXPENDITURES:</b>                          |  |                      |                      |                      |  |
| Current:                                      |  |                      |                      |                      |  |
| Instruction & Instructional Related Services: |  |                      |                      |                      |  |
| 0011  | Instruction                                  | 29,758,560           | 32,415,351           | 30,170,806           | 2,244,545                                      |
| 0012  | Instructional Resources and Media Services   | 685,800              | 717,300              | 598,931              | 118,369  |
| 0013  | Curriculum and Staff Development             | 406,100              | 1,155,300            | 1,028,326            | 126,974  |
|   | Total Instruction & Instr. Related Services  | <u>30,850,460</u>    | <u>34,287,951</u>    | <u>31,798,063</u>    | <u>2,489,888</u>                               |
| Instructional and School Leadership:          |  |                      |                      |                      |  |
| 0021  | Instructional Leadership                     | 1,038,520            | 1,176,323            | 1,013,005            | 163,318  |
| 0023  | School Leadership                            | 2,833,600            | 3,105,100            | 3,104,179            | 921  |
|   | Total Instructional & School Leadership      | <u>3,872,120</u>     | <u>4,281,423</u>     | <u>4,117,184</u>     | <u>164,239</u>                                 |
| Support Services - Student (Pupil):           |  |                      |                      |                      |  |
| 0031  | Guidance, Counseling and Evaluation Services | 1,675,850            | 1,902,850            | 1,835,835            | 67,015   |
| 0033  | Health Services                              | 413,450              | 490,450              | 421,452              | 68,998   |
| 0034  | Student (Pupil) Transportation               | 3,599,725            | 3,976,225            | 3,027,386            | 948,839  |
| 0036  | Cocurricular/Extracurricular Activities      | 1,678,300            | 2,090,450            | 1,999,517            | 90,933   |
|   | Total Support Services - Student (Pupil)     | <u>7,367,325</u>     | <u>8,459,975</u>     | <u>7,284,190</u>     | <u>1,175,785</u>                               |
| Administrative Support Services:              |  |                      |                      |                      |  |
| 0041  | General Administration                       | 2,172,200            | 2,386,920            | 2,176,619            | 210,301  |
|   | Total Administrative Support Services        | <u>2,172,200</u>     | <u>2,386,920</u>     | <u>2,176,619</u>     | <u>210,301</u>                                 |
| Support Services - Nonstudent Based:          |  |                      |                      |                      |  |
| 0051  | Plant Maintenance and Operations             | 5,098,000            | 6,093,000            | 5,783,866            | 309,134  |
| 0052  | Security and Monitoring Services             | 434,900              | 456,600              | 433,062              | 23,538   |
| 0053  | Data Processing Services                     | 893,600              | 1,138,270            | 1,079,690            | 58,580   |
|   | Total Support Services - Nonstudent Based    | <u>6,426,500</u>     | <u>7,687,870</u>     | <u>7,296,618</u>     | <u>391,252</u>                                 |
| Ancillary Services:                           |  |                      |                      |                      |  |
| 0061  | Community Services                           | 51,700               | 70,900               | 66,868               | 4,032  |
|   | Total Ancillary Services                     | <u>51,700</u>        | <u>70,900</u>        | <u>66,868</u>        | <u>4,032</u>                                   |
| Capital Outlay:                               |  |                      |                      |                      |  |
| 0081  | Capital Outlay                               | 80,000               | 430,000              | 424,525              | 5,475  |
|   | Total Capital Outlay                         | <u>80,000</u>        | <u>430,000</u>       | <u>424,525</u>       | <u>5,475</u>                                   |
| 0099  | Other Intergovernmental Charges              | 470,000              | 470,000              | 457,211              | 12,789   |
|   | Total Intergovernmental Charges              | <u>470,000</u>       | <u>470,000</u>       | <u>457,211</u>       | <u>12,789</u>                                  |
| 6030  | Total Expenditures                           | <u>51,290,305</u>    | <u>58,075,039</u>    | <u>53,621,278</u>    | <u>4,453,761</u>                               |
| 1100  | Excess (Deficiency) of Revenues Over (Under) |                      |                      |                      |  |
| 1100  | Expenditures                                 | (1,594,648)          | (3,021,118)          | 3,505,334            | 6,526,452                                      |
| 1200  | Net Change in Fund Balance                   | <u>(1,594,648)</u>   | <u>(3,021,118)</u>   | <u>3,505,334</u>     | <u>6,526,452</u>                               |
| 0100  | Fund Balance - Beginning                     | 13,487,573           | 13,487,573           | 13,487,573           | --   |
| 3000  | Fund Balance - Ending                        | <u>\$ 11,892,925</u> | <u>\$ 10,466,455</u> | <u>\$ 16,992,907</u> | <u>\$ 6,526,452</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, 2016*

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

\* Only two years' worth of information is currently available

\*\* As of measurement date

**Notes to Required Supplementary Information:**

*Changes in assumptions*

See notes to the financial statements (Defined Benefit Pension Plan, Teacher Retirement System disclosure) for changes.

*Changes of benefit terms*

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

**WALLER INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)  
LAST TEN FISCAL YEARS \*  
For the Year Ended August 31, 2016

EXHIBIT G-3

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

| Data Control Codes                          | 211<br>ESEA Title I<br>Improving<br>Basic Programs | 224<br>IDEA-B<br>Formula | 225<br>IDEA-B<br>Preschool Grant | 240<br>National School<br>Breakfast/Lunch<br>Program |
|---|--|--------------------------|----------------------------------|--|
| <b>ASSETS:</b>                              |  |                          |                                  |  |
| 1110 Cash and Cash Equivalents              | \$ --  | \$ --                    | \$ --                            | \$ 840,812   |
| 1240 Due from Other Governments             | 67,345   | 128,927                  | 252                              | 113,425  |
| 1000 Total Assets                           | <u>67,345</u>                                      | <u>128,927</u>           | <u>252</u>                       | <u>954,237</u>                                       |
| <b>LIABILITIES:</b>                         |  |                          |                                  |  |
| Current Liabilities:                        |  |                          |                                  |  |
| 2170 Due to Other Funds                     | \$ 67,345  | \$ 128,927               | \$ 252                           | \$ --  |
| 2300 Unearned Revenue                       | --   | --                       | --                               | --   |
| 2000 Total Liabilities                      | <u>67,345</u>                                      | <u>128,927</u>           | <u>252</u>                       | <u>--</u>  |
| <b>FUND BALANCES:</b>                       |  |                          |                                  |  |
| Restricted Fund Balances:                   |  |                          |                                  |  |
| 3450 Federal/State Funds Grant Restrictions | --   | --                       | --                               | 954,237  |
| 3490 Other Restrictions of Fund Balance     | --   | --                       | --                               | --   |
| 3000 Total Fund Balances                    | <u>--</u>  | <u>--</u>                | <u>--</u>                        | <u>954,237</u>                                       |
| 4000 Total Liabilities and Fund Balances    | <u>\$ 67,345</u>                                   | <u>\$ 128,927</u>        | <u>\$ 252</u>                    | <u>\$ 954,237</u>                                    |

| 242<br>Summer<br>Feeding<br>Program | 244<br>Career and<br>Tech Basic<br>Grant | 255<br>ESEA Title II<br>Training &<br>Recruiting | 263<br>English Language<br>Acquisition and<br>Enhancement | 265<br>21st Century<br>Community<br>Learning Centers |
|-------------------------------------|--|--|---|--|
| \$ 29,753<br>--<br><u>29,753</u>    | \$ --<br>--<br><u>--</u>                 | \$ --<br>38<br><u>38</u>                         | \$ --<br>5,368<br><u>5,368</u>                            | \$ --<br>80,297<br><u>80,297</u>                     |
| \$ --<br>--<br><u>--</u>            | \$ --<br>--<br><u>--</u>                 | \$ 38<br>--<br><u>38</u>                         | \$ 5,368<br>--<br><u>5,368</u>                            | \$ 80,297<br>--<br><u>80,297</u>                     |
| 29,753<br>--<br><u>29,753</u>       | --<br>--<br><u>--</u>                    | --<br>--<br><u>--</u>                            | --<br>--<br><u>--</u>                                     | --<br>--<br><u>--</u>                                |
| <u>\$ 29,753</u>                    | <u>\$ --</u>                             | <u>\$ 38</u>                                     | <u>\$ 5,368</u>   | <u>\$ 80,297</u>                                     |

**WALLER INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

| Data<br>Control<br>Codes |   | 289<br>Summer<br>School<br>LEP | 410<br>State<br>Textbook<br>Fund |
|--------------------------|---|--------------------------------|----------------------------------|
|                          | <b>ASSETS:</b>                                |                                |                                  |
| 1110                     | <i>Cash and Cash Equivalents</i>              | \$ --                          | \$ 77,002                        |
| 1240                     | <i>Due from Other Governments</i>             | --                             | --                               |
| 1000                     | Total Assets                                  | <u>    --</u>                  | <u>    77,002</u>                |
|                          | <b>LIABILITIES:</b>                           |                                |                                  |
|                          | Current Liabilities:                          |                                |                                  |
| 2170                     | <i>Due to Other Funds</i>                     | \$ --                          | \$ --                            |
| 2300                     | <i>Unearned Revenue</i>                       | --                             | 77,002                           |
| 2000                     | Total Liabilities                             | <u>    --</u>                  | <u>    77,002</u>                |
|                          | <b>FUND BALANCES:</b>                         |                                |                                  |
|                          | Restricted Fund Balances:                     |                                |                                  |
| 3450                     | <i>Federal/State Funds Grant Restrictions</i> | --                             | --                               |
| 3490                     | <i>Other Restrictions of Fund Balance</i>     | --                             | --                               |
| 3000                     | Total Fund Balances                           | <u>    --</u>                  | <u>    --</u>                    |
| 4000                     | Total Liabilities and Fund Balances           | <u>    --</u>                  | <u>    77,002</u>                |

| 427<br>State Funded<br>Special Revenue<br>Fund | 429<br>State Funded<br>Special Revenue<br>Fund | Total<br>Nonmajor<br>Special<br>Revenue<br>Funds (See<br>Exhibit C-1) |
|--|--|---|
| \$ --  | \$ 350   | \$ 947,917  |
| <u>    --</u>                                  | <u>    7,894</u>                               | <u>    403,546</u>  |
| <u>    --</u>                                  | <u>    8,244</u>                               | <u>    1,351,463</u>  |
| <br>\$ --                                      | <br>\$ 7,894                                   | <br>\$ 290,121  |
| <u>    --</u>                                  | <u>    --</u>                                  | <u>    77,002</u>   |
| <u>    --</u>                                  | <u>    7,894</u>                               | <u>    367,123</u>  |
| <br>--   | <br>--   | <br>983,990   |
| <u>    --</u>                                  | <u>    350</u>                                 | <u>    350</u>  |
| <u>    --</u>                                  | <u>    350</u>                                 | <u>    984,340</u>  |
| <br>\$ --                                      | <br>\$ 8,244                                   | <br>\$ 1,351,463  |
| <u>    --</u>                                  | <u>    8,244</u>                               | <u>    1,351,463</u>  |

# WALLER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

| Data<br>Control<br>Codes                                    | 211<br>ESEA Title I<br>Improving<br>Basic Programs | 224<br>IDEA-B<br>Formula | 225<br>IDEA-B<br>Preschool Grant | 240<br>National School<br>Breakfast/Lunch<br>Program |
|---|--|--------------------------|----------------------------------|--|
| <b>REVENUES:</b>  |  |                          |                                  |  |
| 5700 <i>Local and Intermediate Sources</i>                  | \$ --  | \$ --                    | \$ --                            | \$ 809,678   |
| 5800 <i>State Program Revenues</i>                          | --   | --                       | --                               | 42,316   |
| 5900 <i>Federal Program Revenues</i>                        | 1,121,883  | 895,813                  | 14,082                           | 2,954,635  |
| 5020 <i>Total Revenues</i>                                  | <u>1,121,883</u>                                   | <u>895,813</u>           | <u>14,082</u>                    | <u>3,806,629</u>                                     |
| <b>EXPENDITURES:</b>  |  |                          |                                  |  |
| Current:  |  |                          |                                  |  |
| 0011 <i>Instruction</i>                                     | 1,109,232  | 798,844                  | 14,082                           | --   |
| 0013 <i>Curriculum and Staff Development</i>                | --   | 13,651                   | --                               | --   |
| 0021 <i>Instructional Leadership</i>                        | 1,040  | 19,669                   | --                               | --   |
| 0031 <i>Guidance, Counseling, &amp; Evaluation Services</i> | --   | 63,649                   | --                               | --   |
| 0034 <i>Student Transportation</i>                          | --   | --                       | --                               | --   |
| 0035 <i>Food Service</i>                                    | --   | --                       | --                               | 3,428,211  |
| 0041 <i>General Administration</i>                          | --   | --                       | --                               | --   |
| 0051 <i>Facilities Maintenance and Operations</i>           | --   | --                       | --                               | 129,725  |
| 0061 <i>Community Services</i>                              | 11,611   | --                       | --                               | --   |
| 6030 <i>Total Expenditures</i>                              | <u>1,121,883</u>                                   | <u>895,813</u>           | <u>14,082</u>                    | <u>3,557,936</u>                                     |
| 1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>    | --   | --                       | --                               | 248,693  |
| 1100 <i>Expenditures</i>                                    | --   | --                       | --                               | 248,693  |
| 1200 <i>Net Change in Fund Balances</i>                     | --   | --                       | --                               | 248,693  |
| 0100 <i>Fund Balances - Beginning</i>                       | --   | --                       | --                               | 705,544  |
| 3000 <i>Fund Balances - Ending</i>                          | <u>\$ --</u>                                       | <u>\$ --</u>             | <u>\$ --</u>                     | <u>\$ 954,237</u>                                    |

| 242<br>Summer<br>Feeding<br>Program | 244<br>Career and<br>Tech Basic<br>Grant | 255<br>ESEA Title II<br>Training &<br>Recruiting | 263<br>English Language<br>Acquisition and<br>Enhancement | 265<br>21st Century<br>Community<br>Learning Centers |
|-------------------------------------|--|--|---|--|
| \$ --                               | \$ --                                    | \$ --  | \$ --   | \$ --  |
| --                                  | --                                       | --   | --  | --   |
| --                                  | 61,370                                   | 153,003  | 151,162   | 1,979,090  |
| <u>--</u>                           | <u>61,370</u>                            | <u>153,003</u>                                   | <u>151,162</u>  | <u>1,979,090</u>                                     |
| --                                  | 61,370                                   | --   | 147,604   | 945,401  |
| --                                  | --                                       | --   | --  | --   |
| --                                  | --                                       | 153,003  | 1,087   | 600,346  |
| --                                  | --                                       | --   | --  | --   |
| --                                  | --                                       | --   | --  | 350,998  |
| --                                  | --                                       | --   | --  | --   |
| --                                  | --                                       | --   | 2,471   | 4,340  |
| --                                  | --                                       | --   | --  | --   |
| --                                  | --                                       | --   | --  | 78,005   |
| <u>--</u>                           | <u>61,370</u>                            | <u>153,003</u>                                   | <u>151,162</u>  | <u>1,979,090</u>                                     |
| --                                  | --                                       | --   | --  | --   |
| --                                  | --                                       | --   | --  | --   |
| 29,753                              | --                                       | --   | --  | --   |
| <u>\$ 29,753</u>                    | <u>\$ --</u>                             | <u>\$ --</u>                                     | <u>\$ --</u>  | <u>\$ --</u>   |

**WALLER INDEPENDENT SCHOOL DISTRICT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

| Data<br>Control<br>Codes                                    | 289<br>Summer<br>School<br>LEP | 410<br>State<br>Textbook<br>Fund |
|---|--------------------------------|----------------------------------|
| <b>REVENUES:</b>  |                                |                                  |
| 5700 <i>Local and Intermediate Sources</i>                  | \$ --                          | \$ --                            |
| 5800 <i>State Program Revenues</i>                          | --                             | 428,750                          |
| 5900 <i>Federal Program Revenues</i>                        | 4,452                          | --                               |
| 5020 <i>Total Revenues</i>                                  | <u>4,452</u>                   | <u>428,750</u>                   |
| <b>EXPENDITURES:</b>  |                                |                                  |
| Current:  |                                |                                  |
| 0011 <i>Instruction</i>                                     | 4,452                          | 428,750                          |
| 0013 <i>Curriculum and Staff Development</i>                | --                             | --                               |
| 0021 <i>Instructional Leadership</i>                        | --                             | --                               |
| 0031 <i>Guidance, Counseling, &amp; Evaluation Services</i> | --                             | --                               |
| 0034 <i>Student Transportation</i>                          | --                             | --                               |
| 0035 <i>Food Service</i>                                    | --                             | --                               |
| 0041 <i>General Administration</i>                          | --                             | --                               |
| 0051 <i>Facilities Maintenance and Operations</i>           | --                             | --                               |
| 0061 <i>Community Services</i>                              | --                             | --                               |
| 6030 <i>Total Expenditures</i>                              | <u>4,452</u>                   | <u>428,750</u>                   |
| 1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>    |                                |                                  |
| 1100 <i>Expenditures</i>                                    | --                             | --                               |
| 1200 <i>Net Change in Fund Balances</i>                     | --                             | --                               |
| 0100 <i>Fund Balances - Beginning</i>                       | --                             | --                               |
| 3000 <i>Fund Balances - Ending</i>                          | <u>\$ --</u>                   | <u>\$ --</u>                     |



| 427<br>State Funded<br>Special Revenue<br>Fund | 429<br>State Funded<br>Special Revenue<br>Fund | Total<br>Nonmajor<br>Special<br>Revenue<br>Funds (See<br>Exhibit C-2) |
|--|--|---|
| \$ --  | \$ --  | \$ 809,678  |
| 3,284  | 8,352  | 482,702   |
| --   | --   | 7,335,490   |
| <u>3,284</u>                                   | <u>8,352</u>                                   | <u>8,627,870</u>  |
| 3,284  | 8,002  | 3,521,021   |
| --   | --   | 13,651  |
| --   | --   | 775,145   |
| --   | --   | 63,649  |
| --   | --   | 350,998   |
| --   | --   | 3,428,211   |
| --   | --   | 6,811   |
| --   | --   | 129,725   |
| --   | --   | 89,616  |
| <u>3,284</u>                                   | <u>8,002</u>                                   | <u>8,378,827</u>  |
| --   | 350  | 249,043   |
| --   | <u>350</u>                                     | <u>249,043</u>  |
| --   | --   | 735,297   |
| <u>\$ --</u>                                   | <u>\$ 350</u>                                  | <u>\$ 984,340</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, 2016*

| Year Ended<br>August 31        | Tax Rates        |                   | 3<br>Assessed/Appraised<br>Value For School<br>Tax Purposes |
|--------------------------------|------------------|-------------------|---|
|                                | 1<br>Maintenance | 2<br>Debt Service |   |
| 2007 and Prior Years           | \$ Various       | \$ Various        | \$ Various  |
| 2008                           | \$ 1.04          | \$ .24            | \$ 1,313,011,057  |
| 2009                           | \$ 1.04          | \$ .38            | \$ 1,477,579,819  |
| 2010                           | \$ 1.04          | \$ .40            | \$ 1,574,123,858  |
| 2011                           | \$ 1.04          | \$ .40            | \$ 1,738,294,761  |
| 2012                           | \$ 1.04          | \$ .40            | \$ 1,754,172,032  |
| 2013                           | \$ 1.04          | \$ .40            | \$ 1,731,973,506  |
| 2014                           | \$ 1.04          | \$ .40            | \$ 1,892,167,836  |
| 2015                           | \$ 1.04          | \$ .40            | \$ 2,021,703,553  |
| 2016 (School Year Under Audit) | \$ 1.04          | \$ .40            | \$ 2,243,617,577  |

1000 Totals

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

| 10<br>Beginning<br>Balance<br>9/1/15 | 20<br>Current<br>Year's<br>Total Levy | 31<br>Maintenance<br>Collections | 32<br>Debt Service<br>Collections | 40<br>Entire<br>Year's<br>Adjustments | 50<br>Ending<br>Balance<br>8/31/16 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 637,318                           | \$ --                                 | \$ 57,016                        | \$ 7,602                          | \$ (24,149)                           | \$ 548,550                         |
| 127,822                              | --                                    | 9,207                            | 2,125                             | (1,216)                               | 115,274                            |
| 188,187                              | --                                    | 15,407                           | 5,629                             | (2,040)                               | 165,111                            |
| 200,997                              | --                                    | 29,180                           | 11,223                            | (2,220)                               | 158,373                            |
| 248,205                              | --                                    | 92,418                           | 35,546                            | 183,483                               | 303,725                            |
| 274,725                              | --                                    | 151,295                          | 58,190                            | 246,931                               | 312,172                            |
| 366,729                              | --                                    | 187,914                          | 72,275                            | 236,193                               | 342,733                            |
| 481,879                              | --                                    | 219,987                          | 84,610                            | 221,240                               | 398,522                            |
| 1,058,425                            | --                                    | 530,188                          | 203,919                           | 269,614                               | 593,933                            |
| --                                   | 32,308,093                            | 22,558,857                       | 8,676,484                         | --                                    | 1,072,752                          |
| <u>\$ 3,584,287</u>                  | <u>\$ 32,308,093</u>                  | <u>\$ 23,851,470</u>             | <u>\$ 9,157,602</u>               | <u>\$ 1,127,836</u>                   | <u>\$ 4,011,144</u>                |
| \$ --                                | \$ --                                 | \$ --                            | \$ --                             | \$ --                                 | \$ --                              |

**WALLER INDEPENDENT SCHOOL DISTRICT**  
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-2

| Data<br>Control<br>Codes                                 | 1                 | 2                 | 3                                  |
|--|-------------------|-------------------|------------------------------------|
|  | Budget            | Actual            | Variance<br>Positive<br>(Negative) |
| <b>REVENUES:</b>   |                   |                   |                                    |
| 5700 <i>Local and Intermediate Sources</i>               | \$ 737,800        | \$ 809,678        | \$ 71,878                          |
| 5800 <i>State Program Revenues</i>                       | 30,000            | 42,316            | 12,316                             |
| 5900 <i>Federal Program Revenues</i>                     | 2,775,593         | 2,954,635         | 179,042                            |
| 5020 <i>Total Revenues</i>                               | <u>3,543,393</u>  | <u>3,806,629</u>  | <u>263,236</u>                     |
| <b>EXPENDITURES:</b>                                     |                   |                   |                                    |
| Current:   |                   |                   |                                    |
| Support Services - Student (Pupil):                      |                   |                   |                                    |
| 0035 <i>Food Services</i>                                | 3,384,500         | 3,428,211         | * (43,711)                         |
| <i>Total Support Services - Student (Pupil)</i>          | <u>3,384,500</u>  | <u>3,428,211</u>  | <u>(43,711)</u>                    |
| Support Services - Nonstudent Based:                     |                   |                   |                                    |
| 0051 <i>Plant Maintenance and Operations</i>             | 150,010           | 129,725           | 20,285                             |
| <i>Total Support Services - Nonstudent Based</i>         | <u>150,010</u>    | <u>129,725</u>    | <u>20,285</u>                      |
| 6030 <i>Total Expenditures</i>                           | <u>3,534,510</u>  | <u>3,557,936</u>  | <u>(23,426)</u>                    |
| 1100 <i>Excess (Deficiency) of Revenues Over (Under)</i> |                   |                   |                                    |
| 1100 <i>Expenditures</i>                                 | 8,883             | 248,693           | 239,810                            |
| 1200 <i>Net Change in Fund Balance</i>                   | <u>8,883</u>      | <u>248,693</u>    | <u>239,810</u>                     |
| 0100 <i>Fund Balance - Beginning</i>                     | 705,544           | 705,544           | -                                  |
| 3000 <i>Fund Balance - Ending</i>                        | <u>\$ 714,427</u> | <u>\$ 954,237</u> | <u>\$ 239,810</u>                  |

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

**WALLER INDEPENDENT SCHOOL DISTRICT**

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-3

| Data<br>Control<br>Codes                                 | 1                   | 2                   | 3                                  |
|--|---------------------|---------------------|------------------------------------|
|  | Budget              | Actual              | Variance<br>Positive<br>(Negative) |
| <b>REVENUES:</b>   |                     |                     |                                    |
| 5700 <i>Local and Intermediate Sources</i>               | \$ 8,381,581        | \$ 9,359,679        | \$ 978,098                         |
| 5800 <i>State Program Revenues</i>                       | 210,664             | 641,818             | 431,154                            |
| 5020 <b>Total Revenues</b>                               | <u>8,592,245</u>    | <u>10,001,497</u>   | <u>1,409,252</u>                   |
| <b>EXPENDITURES:</b>                                     |                     |                     |                                    |
| Debt Service:  |                     |                     |                                    |
| 0071 <i>Principal on Long-Term Debt</i>                  | 3,165,000           | 3,165,000           | --                                 |
| 0072 <i>Interest on Long-Term Debt</i>                   | 3,899,909           | 4,626,539           | * (726,630)                        |
| 0073 <i>Bond Issuance Costs and Fees</i>                 | 423,240             | 407,290             | 15,950                             |
| <b>Total Debt Service</b>                                | <u>7,488,149</u>    | <u>8,198,829</u>    | <u>(710,680)</u>                   |
| 6030 <b>Total Expenditures</b>                           | <u>7,488,149</u>    | <u>8,198,829</u>    | <u>(710,680)</u>                   |
| 1100 <b>Excess (Deficiency) of Revenues Over (Under)</b> |                     |                     |                                    |
| 1100 <b>Expenditures</b>                                 | <u>1,104,096</u>    | <u>1,802,668</u>    | <u>698,572</u>                     |
| Other Financing Sources (Uses):                          |                     |                     |                                    |
| 7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>  | --                  | 36,265,000          | 36,265,000                         |
| 7916 <i>Premium or Discount on Issuance of Bonds</i>     | --                  | 5,719,272           | 5,719,272                          |
| 8949 <i>Other Uses</i>                                   | --                  | (41,787,086)        | (41,787,086)                       |
| 7080 <b>Total Other Financing Sources and (Uses)</b>     | <u>--</u>           | <u>197,186</u>      | <u>197,186</u>                     |
| 1200 <b>Net Change in Fund Balance</b>                   | <u>1,104,096</u>    | <u>1,999,854</u>    | <u>895,758</u>                     |
| 0100 <b>Fund Balance - Beginning</b>                     | <u>4,927,914</u>    | <u>4,927,914</u>    | --                                 |
| 3000 <b>Fund Balance - Ending</b>                        | <u>\$ 6,032,010</u> | <u>\$ 6,927,768</u> | <u>\$ 895,758</u>                  |

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Waller Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Waller Independent School District's basic financial statements, and have issued our report thereon dated January 2, 2017.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

Waller Independent School District  
Independent Auditors' Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards  
Page 2 of 2

**Purpose of this Report**

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

Respectfully submitted,

The logo features the names 'Belt', 'Harris', and 'Pechacek' in a large, elegant, cursive script. To the right of 'Pechacek', the letters 'LLP' are written in a smaller, bold, sans-serif font.

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Bellville, Texas  
January 2, 2017



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 the  
Waller Independent School District:

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

We have audited the Waller Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Waller Independent School District's major federal programs for the year ended August 31, 2016. Waller Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, Waller Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

### Report on Internal Control Over Compliance

Management of Waller Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Waller Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Waller Independent School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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  
Bellville, Texas  
January 2, 2017

**WALLER INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2016*

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> |
|-----------------------|---|
| 84.287                | 21st Century Grant                        |

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, 2016*

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

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

**EXHIBIT K-1**  
Page 1 of 2

| (1)   | (2)                       | (2A)  | (3)                     |
|---|---------------------------|---|-------------------------|
| Federal Grantor/<br>Pass-Through Grantor/<br>Program or Cluster Title             | Federal<br>CFDA<br>Number | Pass-<br>Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
| <b>CHILD NUTRITION CLUSTER:</b>   |                           |   |                         |
| <u>U. S. Department of Agriculture</u>  |                           |   |                         |
| Passed Through State Department of Education:                                     |                           |   |                         |
| School Breakfast Program  | 10.553                    | 71401601  | \$ 624,560              |
| National School Lunch Program   | 10.555                    | 71301601  | 1,979,447               |
| Total Passed Through State Department of Education                                |                           |   | <u>2,604,007</u>        |
| Total U. S. Department of Agriculture   |                           |   | <u>2,604,007</u>        |
| Total Child Nutrition Cluster   |                           |   | <u>2,604,007</u>        |
| <b>FOOD DISTRIBUTION CLUSTER:</b>   |                           |   |                         |
| <u>U. S. Department of Agriculture</u>  |                           |   |                         |
| Passed Through State Department of Education:                                     |                           |   |                         |
| Commodity Supplemental Food Program (Non-cash)                                    | 10.565                    | 237-904   | 222,866                 |
| Total Passed Through State Department of Education                                |                           |   | <u>222,866</u>          |
| Total U. S. Department of Agriculture   |                           |   | <u>222,866</u>          |
| Total Food Distribution Cluster   |                           |   | <u>222,866</u>          |
| <b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>  |                           |   |                         |
| <u>U. S. Department of Education</u>  |                           |   |                         |
| Passed Through State Department of Education:                                     |                           |   |                         |
| <i>IDEA-B Formula</i>   | 84.027                    | 166600012379046600                                  | 895,813                 |
| <i>IDEA-B Preschool</i>   | 84.173                    | 166610012379046610                                  | 14,082                  |
| Total Passed Through State Department of Education                                |                           |   | <u>909,895</u>          |
| Total U. S. Department of Education   |                           |   | <u>909,895</u>          |
| Total Special Education (IDEA) Cluster  |                           |   | <u>909,895</u>          |
| <b>OTHER PROGRAMS:</b>  |                           |   |                         |
| <u>U. S. Department of Agriculture</u>  |                           |   |                         |
| Passed Through State Department of Agriculture:                                   |                           |   |                         |
| <i>Child and Adult Care Facility Program</i>                                      | 10.558                    | 237-904   | 127,762                 |
| Total Passed Through State Department of Agriculture                              |                           |   | <u>127,762</u>          |
| Total U. S. Department of Agriculture   |                           |   | <u>127,762</u>          |
| <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                    | 16610101237904                                      | 1,121,882               |
| <i>Career and Technical - Basic Grant</i>   | 84.048                    | 16420006237904                                      | 61,370                  |
| <i>Title IV Part B 21st Century Community Learning Centers</i>                    | 84.287                    | 166950167110041                                     | 1,623,195               |
| <i>Title III Part A English Language Acquisition<br/>and Language Enhancement</i> | 84.365                    | 16671001237904                                      | 151,162                 |
| <i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>   | 84.367                    | 16694501237904                                      | 153,003                 |
| <i>Summer School LEP</i>  | 84.369                    | 69551502  | 4,452                   |
| Total Passed Through State Department of Education                                |                           |   | <u>3,115,064</u>        |



**WALLER INDEPENDENT SCHOOL DISTRICT**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

| (1)   | (2)                       | (2A)  | (3)                     |
|---|---------------------------|---|-------------------------|
| Federal Grantor/<br>Pass-Through Grantor/<br>Program or Cluster Title   | Federal<br>CFDA<br>Number | Pass-<br>Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
| Passed Through Harris County Department of Education:<br><i>Title IV Part B 21st Century Community Learning Centers</i> | 84.287                    | 166950167110020                                     | 416,259                 |
| Total Passed Through Harris County Department of Education  |                           |   | <u>416,259</u>          |
| Total U. S. Department of Education   |                           |   | <u>\$ 3,531,323</u>     |
| <br>  |                           |   |                         |
| <u>Federal Communications Commission</u><br>Passed Through Direct Program::<br>Universal E-Rate                         | 32.00                     | 237-904   | \$ 126,669              |
| Total Federal Communications Commission   |                           |   | <u>126,669</u>          |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>   |                           |   | <u><u>7,522,523</u></u> |

The accompanying notes are an integral part of this schedule.

|  |                            |
|--|----------------------------|
| Reconciliation of Federal Revenue:       |                            |
| Federal Revenue per SEFA                 | \$ 7,522,523               |
| SHARS reimbursement-<br>General Fund     | <u>676,049</u>             |
| Total federal revenue<br>per Exhibit C-2 | <u><u>\$ 8,198,572</u></u> |

**WALLER INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2016*

Basis of Presentation

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

The District has elected to use the De Minimis Indirect Cost Rate.

**WALLER INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2016

| <u>Data<br/>Control<br/>Codes</u> |  | <u>Responses</u> |
|-----------------------------------|--|------------------|
| SF2                               | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?                                   | No               |
| SF4                               | Was there an unmodified opinion in the Annual Financial Report?  | Yes              |
| SF5                               | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?                               | No               |
| SF6                               | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?   | No               |
| SF7                               | Did the school district make timely payments to the 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?   | \$ 407,222       |
| SF11                              | Net pension assets (object 1920) at fiscal year-end.   | \$ —             |
| SF12                              | Net pension liabilities (object 2540) at fiscal year-end.  | \$ 12,566,875    |
| SF13                              | Pension expense (object 6147) at fiscal year-end.  | \$ 1,027,007     |

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