

WALLER  
INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2015*

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Waller Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2015

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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, 2015, at a meeting of the board of trustees of such school district on the 11<sup>th</sup> day of JANUARY, 2016.



Signature of Board Secretary



Signature of Board President

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

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*Financial Section*

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## **Independent Auditors' Report**

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

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

We have audited the accompanying financial statements of the governmental activities, 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, 2015, 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, 2015, 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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## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2015, Waller Independent School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension 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 and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, 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 5, 2016 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,

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Bellville, Texas  
January 5, 2016

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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, 2015**

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, 2015. It should be read in conjunction with the District's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The District's total combined net position at August 31, 2015 was \$24,571,824.
- For the fiscal year ended August 31, 2015, the District's general fund reported a total fund balance of \$13,487,573, of which \$661,858 was committed for prepaid expenses and \$12,825,715 is 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 \$19,151,193.

### **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, 2015**

- 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 and is shown in a separate statement of proprietary net position and statement of changes in proprietary net position.
- *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, 2015

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net position was \$24,571,824 at August 31, 2015. *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, 2015. *Table 1* indicates the overall condition of the District increased, which was the result of an increase in revenue as compared to the prior year. *Table 2* reflects the District reporting an increase in property taxes, charges for services, investment earnings, and miscellaneous sources with decreased revenue received from operating grants and contributions and state foundation program revenue. Additionally, the District expended less during the year. The District reported decreases in expenses as compared to the prior year resulting mainly from instruction, plant maintenance and operations, and data processing services.

**Table 1**  
**Net Position**

<u>Description</u>	<u>Governmental Activities</u>		<u>Total Change</u>
	<u>2015</u>	<u>2014</u>	<u>2015-2014</u>
Current assets	\$ 23,316,350	\$ 21,019,867	\$ 2,296,483
Capital assets	83,828,170	85,199,324	(1,371,154)
<b>Total Assets</b>	<u>107,144,519</u>	<u>106,219,190</u>	<u>925,329</u>
Deferred charges on refunding	1,874,577	923,005	951,572
Deferred outflow related to pensions	1,525,674	-	1,525,674
<b>Total Deferred Outflows of Resources</b>	<u>3,400,251</u>	<u>923,005</u>	<u>2,477,246</u>
Current liabilities	1,944,456	1,832,195	112,261
Long-term liabilities	82,230,368	85,832,559	(3,602,191)
<b>Total Liabilities</b>	<u>84,174,824</u>	<u>87,664,754</u>	<u>(3,489,930)</u>
Deferred inflow related to pensions	1,798,122	-	1,798,122
<b>Total Deferred Inflows of Resources</b>	<u>1,798,122</u>	<u>-</u>	<u>1,798,122</u>
<b>Net Position:</b>			
Net investment in capital assets	7,476,291	6,027,063	1,449,228
Restricted	5,663,210	4,806,932	856,278
Unrestricted	11,432,323	8,643,446	2,788,877
<b>Total Net Position</b>	<u>\$ 24,571,824</u>	<u>\$ 19,477,441</u>	<u>\$ 5,094,383</u>

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2015

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

	Governmental Activities		Total Change 2015-2014	Business-Type Activities	
	2015	2014		2015	2014
<b>Revenues</b>					
Program revenues:					
Charges for services	\$ 998,288	\$ 900,196	\$ 98,092	\$ 94,790	\$ -
Operating grants and contributions	11,276,976	11,365,463	(88,487)	354	-
General revenues:					
Property taxes	30,086,550	27,437,764	2,648,786	-	-
State foundation program	24,151,914	24,190,337	(38,423)	-	-
Investment earnings	113,597	86,510	27,087	-	-
Miscellaneous	1,765,211	44,768	1,720,443	-	-
Transfers	-	-	-	89,971	-
<b>Total Revenue</b>	<u>68,392,536</u>	<u>64,025,038</u>	<u>4,367,498</u>	<u>185,115</u>	<u>-</u>
<b>Expenses</b>					
Instruction	33,963,715	37,051,492	(3,087,777)	-	-
Instructional resources and media services	628,156	556,210	71,946	-	-
Curriculum and staff development	407,097	386,487	20,610	-	-
Instructional leadership	1,612,385	1,427,129	185,256	-	-
School leadership	2,970,785	2,701,819	268,966	-	-
Guidance, counseling, and evaluation services	1,546,872	1,604,709	(57,837)	-	-
Health services	428,460	392,961	35,499	-	-
Student (pupil) transportation	3,537,612	3,378,133	159,479	-	-
Food services	3,300,982	3,453,898	(152,916)	-	-
Co-curricular/extracurricular activities	1,648,411	1,572,623	75,788	-	-
General administration	2,470,687	2,343,553	127,134	-	-
Plant maintenance and operations	5,313,139	5,423,135	(109,996)	-	-
Security and monitoring	418,525	415,378	3,147	-	-
Data processing services	837,440	946,702	(109,262)	-	-
Community services	158,382	146,507	11,875	-	-
Interest on long-term debt	3,466,290	3,398,838	67,452	-	-
Bond issuance costs and fees	140,745	122,066	18,679	-	-
Other intergovernmental charges	358,499	361,955	(3,456)	-	-
Vending	-	-	-	185,115	-
Transfers	89,971	-	89,971	-	-
<b>Total Expenses</b>	<u>63,298,153</u>	<u>65,683,595</u>	<u>(2,385,442)</u>	<u>185,115</u>	<u>-</u>
<b>Change in Net Position</b>	5,094,383	(1,658,557)	6,752,940	-	-
Beginning net position, as restated	19,477,441	21,135,998	(1,658,557)	-	-
<b>Ending Net Position</b>	<u>\$ 24,571,824</u>	<u>\$ 19,477,441</u>	<u>\$ 5,094,383</u>	<u>\$ -</u>	<u>\$ -</u>

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended August 31, 2015**

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

At the close of the fiscal year ending August 31, 2015, the District's governmental funds reported a combined fund balance of \$19,151,193. This compares to a combined fund balance of \$16,678,329 at August 31, 2014. The general fund balance increased due to an increase in local and state revenues, while the debt service fund balance increased as a result of an increase in local revenue and a decrease in expenditures due to refunding bonds.

**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, 2015, 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 \$1,400,063 and the actual expenditures were less than budgeted expenditures by \$2,513,104.

**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, 2015, 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, 2015, the District had a total of \$121,621,279 invested in capital assets such as land, buildings, and District equipment. This total includes \$1,281,466 invested during the fiscal year ended August 31, 2015.

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 \$72,730,000 in general obligation bonds outstanding versus \$76,900,000 last year. The net decrease is due to principal payments paid this fiscal year, totaling \$4,170,000. In addition, the District issued refunding bonds in the amount of \$8,500,000 to refund series 2008 building bonds.

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

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended August 31, 2015**

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

The following factors were considered in establishing the District's budget for 2015-2016:

- Student enrollment for 2015-2016 is expected to remain approximately the same when compared to 2014-2015. District officials anticipate no significant change in the rate of attendance for the year 2016 compared to the year 2015; 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 2015-2016.
- The District's total tax rate remained the same as the previous year at \$1.44 per \$100 valuation with the Maintenance and Operations tax rate at \$1.04 and the Interest and Sinking tax rate at \$0.40.
- No new programs were added and no significant changes to existing programs occurred during the current year and no significant changes are planned for 2015-2016.
- District officials anticipate that the fund balance for the general fund will not materially change for 2015-2016 compared to 2014-2015.

**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, 2015**

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
1110	\$ 17,898,965	\$ --	\$ 17,898,965
1120	5,880	--	5,880
1220	3,584,287	--	3,584,287
1230	(1,156,675)	--	(1,156,675)
1240	2,321,241	--	2,321,241
1290	794	--	794
1410	661,858	--	661,858
Capital Assets:			
1510	2,935,194	--	2,935,194
1520	78,182,147	--	78,182,147
1530	2,629,389	--	2,629,389
1580	81,440	--	81,440
1000	<u>107,144,519</u>	<u>--</u>	<u>107,144,519</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
1700	1,874,577	--	1,874,577
1705	1,525,674	--	1,525,674
1700	<u>3,400,251</u>	<u>--</u>	<u>3,400,251</u>
<b>LIABILITIES:</b>			
2110	214,824	--	214,824
2140	206,913	--	206,913
2165	1,502,274	--	1,502,274
2180	17,688	--	17,688
2300	2,757	--	2,757
Noncurrent Liabilities:			
2501	3,165,000	--	3,165,000
2502	73,187,289	--	73,187,289
2540	5,878,079	--	5,878,079
2000	<u>84,174,824</u>	<u>--</u>	<u>84,174,824</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
2605	1,798,122	--	1,798,122
2600	<u>1,798,122</u>	<u>--</u>	<u>1,798,122</u>
<b>NET POSITION:</b>			
3200	7,476,291	--	7,476,291
Restricted For:			
3820	735,296	--	735,296
3850	4,927,914	--	4,927,914
3900	11,432,323	--	11,432,323
3000	<u>\$ 24,571,824</u>	<u>\$ --</u>	<u>\$ 24,571,824</u>

The accompanying notes are an integral part of this statement.

# WALLER INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Functions/Programs	1	3	4
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
	<b>Governmental Activities:</b>			
11	<i>Instruction</i>	\$ 33,963,715	\$ 14,276	\$ 5,724,892
12	<i>Instructional Resources and Media Services</i>	628,156	--	41,117
13	<i>Curriculum and Staff Development</i>	407,097	--	50,798
21	<i>Instructional Leadership</i>	1,612,385	--	667,570
23	<i>School Leadership</i>	2,970,785	--	194,218
31	<i>Guidance, Counseling, &amp; Evaluation Services</i>	1,546,872	--	152,278
33	<i>Health Services</i>	428,460	--	28,080
34	<i>Student Transportation</i>	3,537,612	--	570,535
35	<i>Food Service</i>	3,300,982	749,810	2,718,282
36	<i>Cocurricular/Extracurricular Activities</i>	1,648,411	234,202	107,639
41	<i>General Administration</i>	2,470,687	--	308,395
51	<i>Facilities Maintenance and Operations</i>	5,313,139	--	457,658
52	<i>Security and Monitoring Services</i>	418,525	--	27,411
53	<i>Data Processing Services</i>	837,440	--	54,822
61	<i>Community Services</i>	158,382	--	85,125
72	<i>Interest on Long-term Debt</i>	3,466,290	--	88,156
73	<i>Bond Issuance Costs and Fees</i>	140,745	--	--
99	<i>Other Intergovernmental Charges</i>	358,499	--	--
TG	<b>Total Governmental Activities</b>	<u>63,208,182</u>	<u>998,288</u>	<u>11,276,976</u>
	<b>Business-type Activities:</b>			
01	<i>Vending</i>	185,115	94,790	354
TP	<b>Total Primary Government</b>	<u>\$ 63,393,297</u>	<u>\$ 1,093,078</u>	<u>\$ 11,277,330</u>
	<b>General Revenues:</b>			
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>			
FR	<i>Transfers</i>			
TR	<b>Total General Revenues and Transfers</b>			
CN	<b>Change in Net Position</b>			
NB	<b>Net Position - Beginning, as Reported</b>			
PA	<b>Prior Period Adjustment</b>			
	<b>Net Position - Beginning, as Restated</b>			
NE	<b>Net Position - Ending</b>			

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (28,224,547)	\$ --	\$ (28,224,547)
(587,039)	--	(587,039)
(356,299)	--	(356,299)
(944,815)	--	(944,815)
(2,776,567)	--	(2,776,567)
(1,394,594)	--	(1,394,594)
(400,380)	--	(400,380)
(2,967,077)	--	(2,967,077)
167,110	--	167,110
(1,306,570)	--	(1,306,570)
(2,162,292)	--	(2,162,292)
(4,855,481)	--	(4,855,481)
(391,114)	--	(391,114)
(782,618)	--	(782,618)
(73,257)	--	(73,257)
(3,378,134)	--	(3,378,134)
(140,745)	--	(140,745)
(358,499)	--	(358,499)
<u>(50,932,918)</u>	<u>--</u>	<u>(50,932,918)</u>
--	(89,971)	(89,971)
<u>(50,932,918)</u>	<u>(89,971)</u>	<u>(51,022,889)</u>
21,801,631	--	21,801,631
8,284,919	--	8,284,919
113,597	--	113,597
24,151,914	--	24,151,914
1,765,211	--	1,765,211
(89,971)	89,971	--
<u>56,027,301</u>	<u>89,971</u>	<u>56,117,272</u>
5,094,383	--	5,094,383
26,137,330	--	26,137,330
(6,659,889)	--	(6,659,889)
<u>19,477,441</u>	<u>--</u>	<u>19,477,441</u>
\$ <u>24,571,824</u>	\$ <u>--</u>	\$ <u>24,571,824</u>

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**WALLER INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ 12,314,846	\$ 4,927,768	\$ 656,350	\$ 17,898,964
1120 Current Investments	5,607	146	127	5,880
1220 Taxes Receivable, Delinquent	2,694,098	890,189	--	3,584,287
1230 Allowance for Uncollectible Taxes	(932,720)	(223,955)	--	(1,156,675)
1240 Due from Other Governments	2,048,635	--	272,606	2,321,241
1260 Due from Other Funds	636,024	--	--	636,024
1290 Other Receivables	794	--	--	794
1410 Prepaid Items	661,858	--	--	661,858
1000 Total Assets	<u>17,429,141</u>	<u>5,594,148</u>	<u>929,083</u>	<u>23,952,372</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 214,824	\$ --	\$ --	\$ 214,824
2160 Accrued Wages Payable	1,502,274	--	--	1,502,274
2170 Due to Other Funds	445,404	--	190,620	636,024
2180 Due to Other Governments	17,688	--	--	17,688
2300 Unearned Revenue	--	--	2,757	2,757
2000 Total Liabilities	<u>2,180,190</u>	<u>--</u>	<u>193,377</u>	<u>2,373,567</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
2600 Unavailable Revenue - Property Taxes	1,761,378	666,234	--	2,427,612
2600 Total Deferred Inflows of Resources	<u>1,761,378</u>	<u>666,234</u>	<u>--</u>	<u>2,427,612</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3430 Prepaid Items	661,858	--	--	661,858
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	735,296	735,296
3480 Retirement of Long-Term Debt	--	4,927,914	--	4,927,914
3490 Other Restrictions of Fund Balance	--	--	410	410
3600 Unassigned	12,825,715	--	--	12,825,715
3000 Total Fund Balances	<u>13,487,573</u>	<u>4,927,914</u>	<u>735,706</u>	<u>19,151,193</u>
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,429,141</u>	<u>\$ 5,594,148</u>	<u>\$ 929,083</u>	<u>\$ 23,952,372</u>

**WALLER INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 AUGUST 31, 2015*

Total fund balances - governmental funds balance sheet	\$ 19,151,193
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.	83,828,169
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,427,612
Payables for bond principal which are not due in the current period are not reported in the funds.	(73,285,157)
Payables for bond interest which are not due in the current period are not reported in the funds.	(206,913)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(1,192,554)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(6,659,889)
Deferred resource inflows related to Teacher Retirement System of Texas (TRS) are not reported in the funds.	(1,798,122)
Deferred resource outflows related to TRS are not reported in the funds.	<u>2,307,485</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 24,571,824</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, 2015**

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ 22,342,491	\$ 8,369,377	\$ 752,937	\$ 31,464,805
5800 <i>State Program Revenues</i>	26,924,872	88,156	520,742	27,533,770
5900 <i>Federal Program Revenues</i>	569,871	--	7,325,249	7,895,120
5020 <b>Total Revenues</b>	<u>49,837,234</u>	<u>8,457,533</u>	<u>8,598,928</u>	<u>66,893,695</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	28,081,234	--	3,604,116	31,685,350
0012 <i>Instructional Resources and Media Services</i>	590,918	--	--	590,918
0013 <i>Curriculum and Staff Development</i>	349,933	--	23,068	373,001
0021 <i>Instructional Leadership</i>	809,527	--	643,250	1,452,777
0023 <i>School Leadership</i>	2,768,053	--	--	2,768,053
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	1,396,590	--	48,563	1,445,153
0033 <i>Health Services</i>	403,232	--	--	403,232
0034 <i>Student Transportation</i>	3,039,703	--	445,883	3,485,586
0035 <i>Food Service</i>	--	--	3,742,207	3,742,207
0036 <i>Cocurricular/Extracurricular Activities</i>	1,547,671	--	--	1,547,671
0041 <i>General Administration</i>	2,144,482	--	166,837	2,311,319
0051 <i>Facilities Maintenance and Operations</i>	5,182,119	--	136,558	5,318,677
0052 <i>Security and Monitoring Services</i>	399,258	--	--	399,258
0053 <i>Data Processing Services</i>	915,200	--	--	915,200
0061 <i>Community Services</i>	62,820	--	82,980	145,800
0071 <i>Principal on Long-term Debt</i>	--	4,170,000	--	4,170,000
0072 <i>Interest on Long-term Debt</i>	--	3,156,138	--	3,156,138
0073 <i>Bond Issuance Costs and Fees</i>	--	140,745	--	140,745
0081 <i>Capital Outlay</i>	81,440	--	--	81,440
0099 <i>Other Intergovernmental Charges</i>	358,499	--	--	358,499
6030 <b>Total Expenditures</b>	<u>48,130,679</u>	<u>7,466,883</u>	<u>8,893,462</u>	<u>64,491,024</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	<u>1,706,555</u>	<u>990,650</u>	<u>(294,534)</u>	<u>2,402,671</u>
Other Financing Sources and (Uses):				
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	8,500,000	--	8,500,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	1,420,781	--	1,420,781
7917 <i>Prepaid Interest</i>	--	12,571	--	12,571
8911 <i>Transfers Out</i>	(89,971)	--	--	(89,971)
8949 <i>Payment to Bond Escrow Agent</i>	--	(9,773,188)	--	(9,773,188)
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>(89,971)</u>	<u>160,164</u>	<u>--</u>	<u>70,193</u>
1200 <b>Net Change in Fund Balances</b>	<u>1,616,584</u>	<u>1,150,814</u>	<u>(294,534)</u>	<u>2,472,864</u>
0100 <b>Fund Balances - Beginning</b>	11,870,989	3,777,100	1,030,240	16,678,329
3000 <b>Fund Balances - Ending</b>	<u>\$ 13,487,573</u>	<u>\$ 4,927,914</u>	<u>\$ 735,706</u>	<u>\$ 19,151,193</u>

The accompanying notes are an integral part of this statement.

**WALLER INDEPENDENT SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2015*

Net change in fund balances - total governmental funds	\$ 2,472,864
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	1,200,025
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,651,289)
The gain or loss on the sale of capital assets is not reported in the funds.	(1,332)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(228,943)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,170,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	192,218
(Increase) decrease in accrued interest from beginning of period to end of period.	(502,370)
Proceeds of long-term debt are recognized as other financial resources in the funds but not revenue in the SOA.	9,773,188
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(8,500,000)
Bond premiums are reported in the funds but not in the SOA.	(1,420,782)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred revenue.	1,716,545
The District's share of the unrecognized deferred inflows and outflows related to TRS had to be amortized.	<u>(1,125,741)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 5,094,383</u>

The accompanying notes are an integral part of this statement.



**WALLER INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET POSITION

ENTERPRISE FUND

AUGUST 31, 2015

Data Control Codes		Nonmajor Enterprise Fund <hr/> Vending Machines Fund <hr/>
	<b>ASSETS:</b>	
1000	Total Assets	\$ --
	<b>LIABILITIES:</b>	
2000	Total Liabilities	--
	<b>NET POSITION:</b>	
3000	Total Net Position	\$ --

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, 2015

Data Control Codes		Nonmajor Enterprise Fund <u>Vending Machines Fund</u>
	<b>OPERATING REVENUES:</b>	
5700	<i>Local and Intermediate Sources</i>	\$ 94,790
5800	<i>State Program Revenues</i>	354
5020	Total Revenues	<u>95,144</u>
	<b>OPERATING EXPENSES:</b>	
6100	<i>Payroll Costs</i>	7,144
6300	<i>Supplies and Materials</i>	50,401
6400	<i>Other Operating Costs</i>	11,000
6600	<i>Capital Outlay - Land, Buildings &amp; Equipment</i>	116,570
6030	Total Expenses	<u>185,115</u>
	Income (Loss) before Contributions and Transfers	(89,971)
7915	<i>Transfers In</i>	89,971
1300	Change in Net Position	<u>--</u>
0100	Total Net Position - Beginning	--
3300	Total Net Position - Ending	<u>\$ --</u>

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, 2015

	Enterprise Fund Vending Fund
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Received from Customers</i>	\$ 95,144
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(185,115)
<i>Other Operating Cash Receipts</i>	89,971
Net Cash Provided (Used) by Operating Activities	<u>          --</u>
Net Increase (Decrease) in Cash and Cash Equivalents	--
Cash and Cash Equivalents at Beginning of Year	--
Cash and Cash Equivalents at End of Year	<u>\$       --</u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>	
Operating Income (Loss)	\$       --
Adjustments to Reconcile Operating Income to Net Cash 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>\$       --</u>

The accompanying notes are an integral part of this statement.

**WALLER INDEPENDENT SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 AUGUST 31, 2015

Data Control Codes		Agency Fund
ASSETS:		Student Activity
1110	Cash and Cash Equivalents	\$ 315,780
1000	Total Assets	<u>315,780</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2190	Due to Student Groups	\$ 315,780
2000	Total Liabilities	<u>315,780</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, 2015

### A. Summary of Significant Accounting Policies

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

#### 1. Reporting Entity

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

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. 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, 2015*

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.

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.

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.

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, 2015

### 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 Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

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. 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 the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected services 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, 2015*

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, 2015**

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 and 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, 2015, the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	5,878,080

5. New Accounting Standards Adopted

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Governmental Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.*

## WALLER INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

- a. Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (pension trusts) in which:
  - 1) Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
  - 2) Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
  - 3) Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

- b. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

**WALLER INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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- c. Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operation. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 69.

- d. Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 70.

- e. Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District's final year-end, the effects from the District's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position.

**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:

Violation

Expenditures in excess of appropriations in function 35 of the Child Nutrition Fund and in functions 71 and 73 of the Debt Service Fund.

Action Taken

As required, the District will amend the budget during the year and at year end in anticipation of final expenditures.

**WALLER INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2015*

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

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

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

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, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$18,214,746 and the bank balance was \$19,277,233. The District's cash deposits at August 31, 2015, and during the year ended August 31, 2015, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

The District's investment at August 31, 2015 is shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	\$ 5,880

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

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, 2015, 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.

Investment Accounting Policy

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

# WALLER INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2015

### 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 Investment Pool

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 of Lone Star which seeks to maintain a net asset value of one dollar. 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.

### D. Capital Assets

Capital asset activity for the year ended August 31, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,935,193	\$ --	\$ --	\$ 2,935,193
Construction in progress	--	81,440	--	81,440
Total capital assets not being depreciated	<u>2,935,193</u>	<u>81,440</u>	<u>--</u>	<u>3,016,633</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	108,674,092	207,644	--	108,881,736
Equipment	2,266,451	821,850	5,230	3,083,071
Vehicles	6,748,619	170,532	279,312	6,639,839
Total capital assets being depreciated	<u>117,689,162</u>	<u>1,200,026</u>	<u>284,542</u>	<u>118,604,646</u>
Less accumulated depreciation for:				
Buildings and improvements	(28,568,265)	(2,131,324)	--	(30,699,589)
Equipment	(1,528,848)	(207,437)	(3,898)	(1,732,387)
Vehicles	(5,327,919)	(312,527)	(279,312)	(5,361,134)
Total accumulated depreciation	<u>(35,425,031)</u>	<u>(2,651,288)</u>	<u>(283,210)</u>	<u>(37,793,110)</u>
Total capital assets being depreciated, net	<u>82,264,131</u>	<u>(1,451,262)</u>	<u>1,332</u>	<u>80,811,536</u>
Governmental activities capital assets, net	<u>\$ 85,199,324</u>	<u>\$ (1,369,822)</u>	<u>\$ 1,332</u>	<u>\$ 83,828,170</u>

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

Depreciation was charged to functions as follows:

Instruction	\$ 1,516,743
Instructional Resources and Media Services	28,287
Curriculum and Staff Development	17,855
Instructional Leadership	69,543
School Leadership	132,504
Guidance, Counseling, & Evaluation Services	69,178
Health Services	19,302
Student Transportation	160,745
Food Services	146,538
Extracurricular Activities	74,085
General Administration	110,640
Plant Maintenance and Operations	241,726
Security and Monitoring Services	19,112
Data Processing Services	38,052
Community Services	6,979
	<u>\$ 2,651,288</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2015 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue Funds	\$ 190,619	Short-term loans
General Fund	Payroll Fund	445,404	Short-term loans
	Total	<u>\$ 636,023</u>	

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

2. Transfers To and From Other Funds

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Vending machine fund	\$ 89,971	Supplement other funds sources



# WALLER INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

### F. Long-Term Obligations

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

#### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2015 are as follows:

	Original Issue	Beginning Balances	Net Changes	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Bonds, Series 2005	\$ 7,725,000	\$ 7,005,000	\$ (85,000)	\$ 6,920,000	\$ 340,000
Bonds, Series 2008	49,290,000	44,995,000	(9,555,000)	35,440,000	1,095,000
Refunding Bonds, Series 2010	12,255,000	10,635,000	(745,000)	9,890,000	755,000
Refunding Bonds, Series 2012	9,180,000	8,740,000	(235,000)	8,505,000	520,000
Refunding Bonds, Series 2013	5,525,000	5,525,000	(1,930,000)	3,595,000	355,000
Refunding Bonds, Series 2014	8,500,000	--	8,380,000	8,380,000	100,000
	<u>92,475,000</u>	<u>76,900,000</u>	<u>(4,170,000)</u>	<u>72,730,000</u>	<u>3,165,000</u>
<u>Other liabilities:</u>					
Bond premium	--	1,522,785	906,950	2,429,735	--
Accreted interest on CAB's	--	749,885	442,669	1,192,554	--
Net pension liability	--	--	5,878,080	5,878,080	--
Total governmental activities	\$ <u>92,475,000</u>	\$ <u>79,172,670</u>	\$ <u>3,057,699</u>	\$ <u>82,230,369</u>	\$ <u>3,165,000</u>

Long-term liabilities due in more than one year      \$ 79,065,369

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 zero percent to 5.50 percent. Interest expense was \$3,156,138 for the year ended August 31, 2015.

The District issued the Waller Independent School District Unlimited Tax Refunding Bonds, Series 2014, dated September 1, 2014, in the amount of \$8,500,000 of general obligation refunding bonds for a refunding of \$8,500,000 of the remaining outstanding long-term debt obligations for Series 2008 bonds. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$1,273,188. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is shorter than the life of the old debt. The transaction also resulted in an economic gain of \$656,157 and a reduction of \$731,755 in future debt service payments.

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2015 are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 3,165,000	\$ 3,899,909	\$ 7,064,909
2017	4,110,000	2,975,981	7,085,981
2018	4,240,000	2,840,291	7,080,291
2019	3,955,000	3,144,875	7,099,875
2020	4,530,000	2,575,500	7,105,500
2021-2025	19,120,000	10,686,813	29,806,813
2026-2030	13,640,000	7,039,425	20,679,425
2031-2035	13,460,000	3,722,125	17,182,125
2036-2040	6,510,000	363,000	6,873,000
Totals	<u>\$ 72,730,000</u>	<u>\$ 37,247,919</u>	<u>\$ 109,977,919</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2015, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
Series 2008 refunded by Series 2014	\$ 8,500,000

G. Commitments Under Noncapitalized Leases

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

Rental Expenditures in 2015	\$ <u>120,075</u>
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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 2015, 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, 2015**

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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic 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. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	<b><u>Contribution Rates</u></b>	
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2014 Employer Contributions	\$ 557,911	
District's 2014 Member Contributions	\$ 518,830	
NECE 2014 On-Behalf Contributions to District	\$ 1,758,574	

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, 2015

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, 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.

#### 5. Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5 Year Market Value
Discount Rate	8%
Long-term Expected Rate of Return*	8%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.5%

\* Includes inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011, they contained significant margin for possible future mortality improvements. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous fiscal 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 expected 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, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-term Expected Portfolio Real Rate of Return *
<b>Global Equity</b>			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
<b>Stable Value</b>			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
<b>Real Return</b>			
Global Inflat. Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy & Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
<b>Total</b>	100%		8.7%

\* 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, 2015**

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point less and 1 percentage point greater than the discount rate that was used (8%) in measuring the 2014 net pension liability.

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
District's proportionate share of the net pension liability	\$ 10,503,773	\$ 5,878,080	\$ 2,418,924
Plan net pension liability (in millions from TRS CAFR)	\$ 47,737	\$ 26,717	\$ 10,998

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

At August 31, 2015, the District reported a liability of \$5,878,080 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	\$ 5,878,080
State's proportionate share of the net pension liability associated with the District	<u>18,567,648</u>
Total	<u>\$ 24,445,728</u>

The net pension liability was measured as of August 31, 2014 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, 2013 through August 31, 2014.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's measurement date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$1,716,545 and revenue of \$1,716,545 for support provided by the State.

**WALLER INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015*

At August 31, 2015, 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:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 90,906	\$ --
Changes in actuarial assumptions	382,082	--
Difference between projected and actual investment earnings	--	1,796,581
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	--	1,541
District contributions paid to TRS subsequent to the measurement date	<u>1,052,686</u>	<u>--</u>
Total	<u>\$ 1,525,674</u>	<u>\$ 1,798,122</u>

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

<u>Year Ended August 31</u>		
2016	\$	(369,612)
2017	\$	(369,612)
2018	\$	(369,612)
2019	\$	(369,612)
2020	\$	79,533
Thereafter	\$	73,781

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 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.

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

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 2015 and 2014, and 0.5% for fiscal year 2013. 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 2015, 2014, and 2013. For the years ended August 31, 2015, 2014, and 2013, the State's contributions to TRS-Care were \$32,164, \$31,382, and \$15,419, respectively; the active member contributions were \$237,829, \$219,696, and \$206,145, respectively; and the District's contributions were \$201,240, \$185,896, and \$174,431, 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, 2015, 2014, and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$149,173, \$89,560, and \$84,951, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator is renewable September 1, 2015, 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, 2015.



**WALLER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

M. Workers' Compensation

During the year ended August 31, 2015, 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, 2015, 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, 2015, 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 Unemployment Compensation pool. For the year ended August 31, 2015, 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, 2014 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

O. Subsequent Events

On November 3, 2015, voters approved the Waller ISD bond referendum in the amount of \$71,320,000. The bond will address student growth, safety and security, transportation, technology, career and technical education, physical education and athletics, and existing facility renovations and expansions.

P. Prior Period Adjustment

Beginning net position for the governmental activities was restated to recognize pension liability per GASB 68.

	Governmental Activities
Beginning net position - as reported	\$ 26,137,330
Change in net pension liability and contributions	(6,659,889)
Beginning net position - as restated	<u>\$ 19,477,441</u>

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### *Required Supplementary Information*

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

**WALLER INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2015

**EXHIBIT G-1**  
 Page 1 of 2

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
<b>REVENUES:</b>							
5700	Local and Intermediate Sources	\$ 21,289,342	\$ 21,289,342	\$ 22,342,491	\$ 1,053,149		
5800	State Program Revenues	23,588,639	26,660,556	26,924,872	264,316		
5900	Federal Program Revenues	400,000	487,273	569,871	82,598		
5020	Total Revenues	<u>45,277,981</u>	<u>48,437,171</u>	<u>49,837,234</u>	<u>1,400,063</u>		
<b>EXPENDITURES:</b>							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	27,263,735	29,102,304	28,081,234	1,021,070		
0012	Instructional Resources and Media Services	578,400	613,537	590,918	22,619		
0013	Curriculum and Staff Development	354,850	370,601	349,933	20,668		
	Total Instruction & Instr. Related Services	<u>28,196,985</u>	<u>30,086,442</u>	<u>29,022,085</u>	<u>1,064,357</u>		
Instructional and School Leadership:							
0021	Instructional Leadership	763,075	858,353	809,527	48,826		
0023	School Leadership	2,484,400	2,772,234	2,768,053	4,181		
	Total Instructional & School Leadership	<u>3,247,475</u>	<u>3,630,587</u>	<u>3,577,580</u>	<u>53,007</u>		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	1,427,825	1,539,197	1,396,590	142,607		
0033	Health Services	360,910	417,854	403,232	14,622		
0034	Student (Pupil) Transportation	3,286,275	3,418,720	3,039,703	379,017		
0036	Cocurricular/Extracurricular Activities	1,530,550	1,659,722	1,547,671	112,051		
	Total Support Services - Student (Pupil)	<u>6,605,560</u>	<u>7,035,493</u>	<u>6,387,196</u>	<u>648,297</u>		
Administrative Support Services:							
0041	General Administration	1,970,000	2,232,704	2,144,482	88,222		
	Total Administrative Support Services	<u>1,970,000</u>	<u>2,232,704</u>	<u>2,144,482</u>	<u>88,222</u>		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	4,990,200	5,684,335	5,182,119	502,216		
0052	Security and Monitoring Services	417,350	419,439	399,258	20,181		
0053	Data Processing Services	822,100	954,903	915,200	39,703		
	Total Support Services - Nonstudent Based	<u>6,229,650</u>	<u>7,058,677</u>	<u>6,496,577</u>	<u>562,100</u>		
Ancillary Services:							
0061	Community Services	48,350	64,880	62,820	2,060		
	Total Ancillary Services	<u>48,350</u>	<u>64,880</u>	<u>62,820</u>	<u>2,060</u>		
Capital Outlay:							
0081	Capital Outlay	--	85,000	81,440	3,560		
	Total Capital Outlay	<u>--</u>	<u>85,000</u>	<u>81,440</u>	<u>3,560</u>		
0099	Other Intergovernmental Charges	450,000	450,000	358,499	91,501		
	Total Intergovernmental Charges	<u>450,000</u>	<u>450,000</u>	<u>358,499</u>	<u>91,501</u>		
6030	Total Expenditures	<u>46,748,020</u>	<u>50,643,783</u>	<u>48,130,679</u>	<u>2,513,104</u>		
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	<u>(1,470,039)</u>	<u>(2,206,612)</u>	<u>1,706,555</u>	<u>3,913,167</u>		

**WALLER INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-1

Page 2 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	1	2	3	
	Original	Final	Actual	
	Other Financing Sources (Uses):			
8911	--	--	(89,971)	(89,971)
7080	--	--	(89,971)	(89,971)
1200	(1,470,039)	(2,206,612)	1,616,584	3,823,196
0100	11,870,989	11,870,989	11,870,989	--
3000	<u>\$ 10,400,950</u>	<u>\$ 9,664,377</u>	<u>\$ 13,487,573</u>	<u>\$ 3,823,196</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, 2015

	<u>Fiscal Year</u> <u>2015</u>
District's proportion of the net pension liability (asset)	0.0220059%
District's proportionate share of the net pension liability (asset)	\$ 5,878,080
State's proportionate share of the net pension liability (asset) associated with the District	18,567,648
Total	<u>\$ 24,445,728</u>
District's covered-employee payroll **	\$ 35,347,051
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	16.63%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

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

\*\* As of measurement date

**Notes to Required Supplementary Information:***Changes in benefit*

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

*Changes in assumptions*

There were no changes in assumptions or other inputs 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, 2015*

**EXHIBIT G-3**

	Fiscal Year	
	2015	2014
Contractually required contribution	\$ 1,052,686	\$ 557,911
Contributions in relation to the contractually required contributions	1,052,686	557,911
Contribution deficiency (excess)	<u>\$ 2,105,372</u>	<u>\$ 1,115,822</u>
District's covered-employee payroll	\$ 37,945,786	\$ 35,347,051
Contributions as a percentage of covered-employee payroll	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 GOVERNMENTAL FUNDS

AUGUST 31, 2015

Data Control Codes	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
<b>ASSETS:</b>			
1110	\$ 656,067	\$ 283	\$ 656,350
1120	--	127	127
1240	272,606	--	272,606
1000	<u>928,673</u>	<u>410</u>	<u>929,083</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2170	\$ 190,620	\$ --	\$ 190,620
2300	2,757	--	2,757
2000	<u>193,377</u>	<u>--</u>	<u>193,377</u>
<b>FUND BALANCES:</b>			
Restricted Fund Balances:			
3450	735,296	--	735,296
3490	--	410	410
3000	<u>735,296</u>	<u>410</u>	<u>735,706</u>
4000	<u>\$ 928,673</u>	<u>\$ 410</u>	<u>\$ 929,083</u>

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 752,936	\$ 1	\$ 752,937
5800 <i>State Program Revenues</i>	520,742	--	520,742
5900 <i>Federal Program Revenues</i>	7,325,249	--	7,325,249
5020 <b>Total Revenues</b>	<u>8,598,927</u>	<u>1</u>	<u>8,598,928</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	3,604,116	--	3,604,116
0013 <i>Curriculum and Staff Development</i>	23,068	--	23,068
0021 <i>Instructional Leadership</i>	643,250	--	643,250
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	48,563	--	48,563
0034 <i>Student Transportation</i>	445,883	--	445,883
0035 <i>Food Service</i>	3,742,207	--	3,742,207
0041 <i>General Administration</i>	166,837	--	166,837
0051 <i>Facilities Maintenance and Operations</i>	136,558	--	136,558
0061 <i>Community Services</i>	82,980	--	82,980
6030 <b>Total Expenditures</b>	<u>8,893,462</u>	<u>--</u>	<u>8,893,462</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	(294,535)	1	(294,534)
1200 <b>Net Change in Fund Balances</b>	<u>(294,535)</u>	<u>1</u>	<u>(294,534)</u>
0100 <b>Fund Balances - Beginning</b>	1,029,831	409	1,030,240
3000 <b>Fund Balances - Ending</b>	<u>\$ 735,296</u>	<u>\$ 410</u>	<u>\$ 735,706</u>

# WALLER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2015

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ 626,314
1240	Due from Other Governments	73,263	37,340	145	79,229
1000	Total Assets	<u>73,263</u>	<u>37,340</u>	<u>145</u>	<u>705,543</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2170	Due to Other Funds	\$ 73,263	\$ 37,340	\$ 145	\$ --
2300	Unearned Revenue	--	--	--	--
2000	Total Liabilities	<u>73,263</u>	<u>37,340</u>	<u>145</u>	<u>--</u>
<b>FUND BALANCES:</b>					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	705,543
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>705,543</u>
4000	Total Liabilities and Fund Balances	<u>\$ 73,263</u>	<u>\$ 37,340</u>	<u>\$ 145</u>	<u>\$ 705,543</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	265 21st Century Community Learning Centers
\$ 29,753	\$ --	\$ --	\$ --	\$ --
--	--	--	3,410	75,816
<u>29,753</u>	<u>--</u>	<u>--</u>	<u>3,410</u>	<u>75,816</u>
\$ --	\$ --	\$ --	\$ 3,410	\$ 75,816
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>3,410</u>	<u>75,816</u>
29,753	--	--	--	--
<u>29,753</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ <u>29,753</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>3,410</u>	\$ <u>75,816</u>

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**WALLER INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 AUGUST 31, 2015

Data Control Codes	289 Summer School LEP	397 Advanced Placement Incentives	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
<b>ASSETS:</b>				
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --	\$ --	\$ 656,067
1240 <i>Due from Other Governments</i>	--	--	3,403	272,606
1000 <b>Total Assets</b>	<u>--</u>	<u>--</u>	<u>3,403</u>	<u>928,673</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2170 <i>Due to Other Funds</i>	\$ --	\$ --	\$ 646	\$ 190,620
2300 <i>Unearned Revenue</i>	--	--	2,757	2,757
2000 <b>Total Liabilities</b>	<u>--</u>	<u>--</u>	<u>3,403</u>	<u>193,377</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--	735,296
3000 <b>Total Fund Balances</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>735,296</u>
4000 <b>Total Liabilities and Fund Balances</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,403</u>	<u>\$ 928,673</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, 2015**

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 752,052
5800 <i>State Program Revenues</i>	--	--	--	38,301
5900 <i>Federal Program Revenues</i>	1,153,059	890,700	7,912	2,751,869
5020 <b>Total Revenues</b>	<u>1,153,059</u>	<u>890,700</u>	<u>7,912</u>	<u>3,542,222</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	1,137,590	714,870	7,757	--
0013 <i>Curriculum and Staff Development</i>	--	22,013	155	--
0021 <i>Instructional Leadership</i>	2,956	10,182	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	48,563	--	--
0034 <i>Student Transportation</i>	--	95,072	--	--
0035 <i>Food Service</i>	--	--	--	3,729,952
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	136,558
0061 <i>Community Services</i>	12,513	--	--	--
6030 <b>Total Expenditures</b>	<u>1,153,059</u>	<u>890,700</u>	<u>7,912</u>	<u>3,866,510</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	--	--	--	(324,288)
1200 <b>Net Change in Fund Balances</b>	--	--	--	(324,288)
0100 <b>Fund Balances - Beginning</b>	--	--	--	1,029,831
3000 <b>Fund Balances - Ending</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 705,543</u>



242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	265 21st Century Community Learning Centers
\$ 884	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
41,124	63,972	152,400	145,234	2,114,553
<u>42,008</u>	<u>63,972</u>	<u>152,400</u>	<u>145,234</u>	<u>2,114,553</u>
--	63,972	60	142,430	1,051,470
--	--	--	--	--
--	--	152,340	1,618	476,154
--	--	--	--	--
--	--	--	--	350,811
12,255	--	--	--	--
--	--	--	1,186	165,651
--	--	--	--	--
--	--	--	--	70,467
<u>12,255</u>	<u>63,972</u>	<u>152,400</u>	<u>145,234</u>	<u>2,114,553</u>
29,753	--	--	--	--
<u>29,753</u>	--	--	--	--
--	--	--	--	--
<u>\$ 29,753</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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**WALLER INDEPENDENT SCHOOL DISTRICT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	289 Summer School LEP	397 Advanced Placement Incentives	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 752,936
5800 <i>State Program Revenues</i>	--	900	481,541	520,742
5900 <i>Federal Program Revenues</i>	4,426	--	--	7,325,249
5020 <i>Total Revenues</i>	<u>4,426</u>	<u>900</u>	<u>481,541</u>	<u>8,598,927</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	4,426	--	481,541	3,604,116
0013 <i>Curriculum and Staff Development</i>	--	900	--	23,068
0021 <i>Instructional Leadership</i>	--	--	--	643,250
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	--	--	48,563
0034 <i>Student Transportation</i>	--	--	--	445,883
0035 <i>Food Service</i>	--	--	--	3,742,207
0041 <i>General Administration</i>	--	--	--	166,837
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	136,558
0061 <i>Community Services</i>	--	--	--	82,980
6030 <i>Total Expenditures</i>	<u>4,426</u>	<u>900</u>	<u>481,541</u>	<u>8,893,462</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	--	(294,535)
1200 <i>Net Change in Fund Balances</i>	--	--	--	(294,535)
0100 <i>Fund Balances - Beginning</i>	--	--	--	1,029,831
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 735,296</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, 2015

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1	2	
	Maintenance	Debt Service	
2006 and Prior Years	Various	Various	Various
2007	\$ 1.37	\$ .32	\$ 1,212,721,611
2008	\$ 1.04	\$ .24	\$ 1,313,011,057
2009	\$ 1.04	\$ .38	\$ 1,477,579,819
2010	\$ 1.04	\$ .40	\$ 1,574,123,858
2011	\$ 1.04	\$ .40	\$ 1,738,294,761
2012	\$ 1.04	\$ .40	\$ 1,754,172,032
2013	\$ 1.04	\$ .40	\$ 1,731,973,506
2014	\$ 1.04	\$ .40	\$ 1,892,167,836
2015 (School Year Under Audit)	\$ 1.04	\$ .40	\$ 2,021,703,553

1000 Totals

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

10 Beginning Balance 9/1/14	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/15
\$ 795,552	\$ --	\$ 61,720	\$ 8,229	\$ (228,612)	\$ 496,991
166,934	--	19,000	4,438	(3,169)	140,327
150,314	--	16,159	3,729	(2,605)	127,822
238,381	--	27,548	10,066	(12,581)	188,187
268,609	--	66,743	25,671	24,801	200,997
311,956	--	100,473	38,643	75,365	248,205
384,738	--	123,746	47,595	61,328	274,725
589,887	--	206,259	79,330	62,432	366,729
1,100,199	--	495,372	190,528	67,579	481,879
--	29,112,531	20,261,299	7,792,807	--	1,058,425
<u>\$ 4,006,571</u>	<u>\$ 29,112,531</u>	<u>\$ 21,378,319</u>	<u>\$ 8,201,036</u>	<u>\$ 44,539</u>	<u>\$ 3,584,287</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**WALLER INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

**EXHIBIT J-2**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 735,800	\$ 752,052	\$ 16,252
5800 <i>State Program Revenues</i>	20,500	38,301	17,801
5900 <i>Federal Program Revenues</i>	2,565,928	2,751,869	185,941
5020 <b>Total Revenues</b>	<u>3,322,228</u>	<u>3,542,222</u>	<u>219,994</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	3,682,538	3,729,952	* (47,414)
Total Support Services - Student (Pupil)	<u>3,682,538</u>	<u>3,729,952</u>	<u>(47,414)</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	155,925	136,558	19,367
Total Support Services - Nonstudent Based	<u>155,925</u>	<u>136,558</u>	<u>19,367</u>
6030 <b>Total Expenditures</b>	<u>3,838,463</u>	<u>3,866,510</u>	<u>(28,047)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(516,235)	(324,288)	191,947
1200 <b>Net Change in Fund Balance</b>	<u>(516,235)</u>	<u>(324,288)</u>	<u>191,947</u>
0100 Fund Balance - Beginning	1,029,831	1,029,831	--
3000 <b>Fund Balance - Ending</b>	<u>\$ 513,596</u>	<u>\$ 705,543</u>	<u>\$ 191,947</u>

Notes to Other Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. \* Expenditures exceeded appropriations at the legal level of control.



**WALLER INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-3**

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 7,777,793	\$ 8,369,377	\$ 591,584
5800 <i>State Program Revenues</i>	586,938	88,156	(498,782)
5020 <i>Total Revenues</i>	<u>8,364,731</u>	<u>8,457,533</u>	<u>92,802</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	4,100,000	4,170,000	* (70,000)
0072 <i>Interest on Long-Term Debt</i>	3,336,547	3,156,138	180,409
0073 <i>Bond Issuance Costs and Fees</i>	20,000	140,745	* (120,745)
<i>Total Debt Service</i>	<u>7,456,547</u>	<u>7,466,883</u>	<u>(10,336)</u>
6030 <i>Total Expenditures</i>	<u>7,456,547</u>	<u>7,466,883</u>	<u>(10,336)</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>908,184</u>	<u>990,650</u>	<u>82,466</u>
Other Financing Sources (Uses):			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	8,500,000	8,500,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	1,420,781	1,420,781
7917 <i>Prepaid Interest</i>	--	12,571	12,571
8949 <i>Other Uses</i>	--	(9,773,188)	(9,773,188)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>--</u>	<u>160,164</u>	<u>160,164</u>
1200 <i>Net Change in Fund Balance</i>	<u>908,184</u>	<u>1,150,814</u>	<u>242,630</u>
0100 <i>Fund Balance - Beginning</i>	<u>3,777,100</u>	<u>3,777,100</u>	<u>--</u>
3000 <i>Fund Balance - Ending</i>	<u>\$ 4,685,284</u>	<u>\$ 4,927,914</u>	<u>\$ 242,630</u>

Notes to Other Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. \* Expenditures exceeded appropriations at the legal level of control.

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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, 2015, 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 5, 2016.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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,

 BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Bellville, Texas  
January 5, 2016



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

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

We have audited the Waller Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Waller Independent School District's major federal programs for the year ended August 31, 2015. Waller Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Waller Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the Waller Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2015.

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**Waller Independent School District**  
**Independent Auditor's Report on Compliance for Each Major Program and**  
**on Internal Control over Compliance Required by OMB Circular A-133**  
**Page 2 of 2**

**Report on Internal Control Over Compliance**

Management of the Waller Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Waller Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Waller Independent School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

The logo features the names 'Belt Harris Pechacek' in a large, elegant, cursive script font. Below the script, the text 'PECHACEK, LLLP' is written in a smaller, bold, sans-serif font.

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Bellville, Texas  
January 5, 2016

**WALLER INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2015*

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?      Yes   X   No

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

Noncompliance material to financial statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?      Yes   X   No

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?      Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010	Title I, Part A - Improving Basic Programs
84.367	Title II, Part A - Teacher and Principal Training and Recruiting
84.365	Title III, Part A - English Language Acquisition and Language Enhancement

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

Auditee qualified as low-risk auditee?   X   Yes      No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

**WALLER INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2015*

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



**WALLER INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	15610101237904	\$ 1,153,059
<i>IDEA-B Formula *</i>	84.027	156600012379046600	890,700
<i>Career and Technical - Basic Grant</i>	84.048	15420006237904	63,972
<i>IDEA-B Preschool *</i>	84.173	156610012379046610	7,912
<i>Title IV Part B 21st Century Community Learning Centers</i>	84.287	156950167110041	1,507,525
<i>Title IV Part B 21st Century Community Learning Centers</i>	84.287	166950167110041	75,816
Total CFDA Number 84.287			<u>1,583,341</u>
<i>Title III Part A English Language Acquisition     and Language Enhancement</i>	84.365	15671001237904	145,234
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367	15694501237904	152,400
<i>Summer School LEP</i>	84.369	69551402	4,426
Total Passed Through State Department of Education			<u>4,001,044</u>
Passed Through Harris County Department of Education:			
<i>Title IV Part B 21st Century Community Learning Centers</i>	84.287	156950167110020	531,213
Total Passed Through Harris County Department of Education			<u>531,213</u>
Total U. S. Department of Education			<u>4,532,257</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Human Resources:			
Summer Food Service Program (Non-cash) *	10.559	237-904	41,124
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401501	624,099
National School Lunch Program *	10.555	71301501	1,931,104
Commodity Supplemental Food Program (Non-cash) *	10.565	237-904	196,666
Total Passed Through State Department of Education			<u>2,751,869</u>
Total U. S. Department of Agriculture			<u>2,792,993</u>
<b>FEDERAL COMMUNICATIONS COMMISSION</b>			
Passed Through Direct Program:			
Universal E-Rate	32.00	237-904	87,273
Total Federal Communications Commission			<u>87,273</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 7,412,523</u>

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

The accompanying notes are an integral part of this schedule.

Reconciliation of Federal Revenue:	
Federal revenue per SEFA	\$ 7,412,523
SHARS reimbursement- General Fund	<u>482,597</u>
Total federal revenue per Exhibit C-2	<u>\$ 7,895,120</u>

**WALLER INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*FOR THE YEAR ENDED AUGUST 31, 2015*

Basis of Presentation

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

**WALLER INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2015

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 1,192,554
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 5,878,080
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 1,207,183

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