

WALL INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended August 31, 2018

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF THE BOARD	1	
 FINANCIAL SECTION		
Independent Auditor’s Report	2-3	
Management’s Discussion and Analysis	4-8	
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements		
Statement of Net Position	9	A-1
Statement of Activities.....	10	B-1
Fund Financial Statements		
Balance Sheet - Governmental Funds.....	11-12	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14-15	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16	C-4
Statement of Net Position - Proprietary Funds.....	17	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	18	D-2
Statement of Cash Flows - Proprietary Funds.....	19	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	20	E-1
Notes to the Financial Statements	21-50	
<u>Required Supplementary Information</u>		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	51	F-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas	52	F-2
Schedule of District’s Contributions for Pensions- Teacher Retirement System of Texas.....	53	F-3
Schedule of the District's Proportionate Share of the Net OPEB Liability - Teacher Retirement System of Texas	54	F-4
Schedule of District’s Contributions for Other Postemployment Benefits (OPEB) - Teacher Retirement System of Texas	55	F-5
Notes to the Required Supplementary Information	56	
<u>Other Supplementary Information</u>		
Required TEA Schedules		
Schedule of Delinquent Taxes Receivable.....	57-58	G-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Child Nutrition Program.....	59	G-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund.....	60	G-3
 COMPLIANCE AND INTERNAL CONTROLS SECTION		
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61-62	
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	63-64	
Schedule of Findings and Questioned Costs.....	65	
Schedule of Expenditures of Federal Awards.....	66	H-1
Notes to the Schedule of Expenditures of Federal Awards	67	

CERTIFICATE OF THE BOARD

WALL INDEPENDENT SCHOOL DISTRICT

Name of School District

TOM GREEN

County

226-906

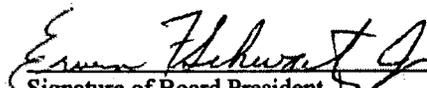
County -
District
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

X approved ___ disapproved for the year ended August 31, 2018, at a meeting of the Board of Trustees of such School District
(Check One)

on the 11th day of December, 2018


Signature of Board Secretary


Signature of Board President

If the Board of Trustees disapproved the annual financial report, the reason(s) for disapproving it is (are) (attach list as necessary):

FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA

(325) 944-3571
FAX: (325) 942-1093
www.eckertcpa.com

Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wall Independent School District
P.O. Box 259
Wall, TX 76957-0259

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wall Independent School District as of and for the year ended August 31, 2018, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wall Independent School District as of August 31, 2018, 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.

Emphasis of Matter

As discussed in Note I, J. to the financial statements, in 2018 the District adopted new accounting guidance prescribed by GASB Statement No. 75 for its other postemployment benefit (OPEB) plan - a multiple-employer, cost-sharing defined other postemployment benefit (OPEB) plan that has a special funding situation. Because GASB Statement No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the government-wide statements. Exhibit A-1 discloses the District's net OPEB liability and deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's beginning net position. Our opinion is not modified with respect to the 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, and net pension liability and contributions information and net OPEB liability and contributions information for the Teacher Retirement System of Texas on pages 4 through 8, 51, and 52 through 55, respectively, 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 Wall Independent School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, on our consideration of the Wall 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 the effectiveness of the Wall Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wall Independent School District's internal control over financial reporting and compliance.

Eckert & Company, LLP

November 26, 2018

WALL INDEPENDENT SCHOOL DISTRICT

RUSSELL DACY, SUPERINTENDENT

8065 LOOP 570

P.O. BOX 259 • WALL, TEXAS 76957-0259

PHONE 325-651-7790

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Wall Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2018. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$6,236,194 (net position). This amount includes a deficit balance of unrestricted net position of \$1,354,052.

The District's total net position decreased by \$7,676,749 or 55%. This amount consists of a \$1,424,512 increase attributable to current year operations and a \$9,101,261 decrease attributable to prior period adjustments described in Note IV., K. to the financial statements. The District's statement of activities shows total revenues of \$12,832,882 and total expenses of \$11,408,370.

The total fund balance of the General Fund is \$7,317,070 which is an increase of \$155,280 or 2% compared to the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the SSA - Special Education Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund, Food Service Special Revenue Fund, and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

Proprietary Funds - The District's Internal Service Fund is used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its workers' compensation insurance program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the District’s net position is presented below:

NET POSITION

	Governmental Activities	
	August 31,	
	2018	2017
Current and Other Assets	\$ 13,270,307	\$ 27,067,793
Capital Assets	25,285,905	10,401,163
Total Assets	\$ 38,556,212	\$ 37,468,956
Deferred Outflows of Resources	\$ 873,260	\$ 1,117,814
Long-Term Liabilities Outstanding	\$ 27,198,330	\$ 22,939,227
Other Liabilities	3,378,868	1,591,916
Total Liabilities	\$ 30,577,198	\$ 24,531,143
Deferred Inflows of Resources	\$ 2,616,080	\$ 142,684
Net Position		
Net Investment in Capital Assets	\$ 6,478,527	\$ 7,001,010
Restricted	1,111,719	949,282
Unrestricted (Deficit)	(1,354,052)	5,962,651
Total Net Position	\$ 6,236,194	\$ 13,912,943

A large portion of the District's net position (\$6,478,527) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District’s net position (\$1,111,719) represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position is \$1,354,052.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the District's net position by \$1,424,512 and \$38,264 for the fiscal years ended August 31, 2018 and 2017, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended August 31,	
	2018	2017
Revenues		
Program Revenues		
Charges for Services	\$ 416,824	\$ 438,203
Operating Grants and Contributions*	1,467,131	3,798,674
General Revenues		
Maintenance and Operations Taxes	4,470,616	4,323,717
Debt Service Taxes	1,286,825	1,152,852
State Aid - Formula Grants	4,733,949	4,981,198
Investment Earnings	341,081	262,971
Other	116,456	58,308
Total Revenues	\$ 12,832,882	\$ 15,015,923
Expenses		
Instruction and Instructional-Related Services	\$ 6,261,484	\$ 8,649,979
Instructional and School Leadership	672,528	866,711
Support Services - Student (Pupil)	1,825,753	2,461,121
Administrative Support Services	325,790	377,750
Support Services - Nonstudent Based	1,309,773	1,568,147
Ancillary Services	0	604
Debt Service	638,083	640,746
Intergovernmental Charges	350,498	364,273
Depreciation - Unallocated	24,461	24,461
Total Expenses	\$ 11,408,370	\$ 14,953,792
Increase (Decrease) in Net Assets Before Extraordinary Item	\$ 1,424,512	\$ 62,131
Extraordinary Item - (Use)	0	(23,867)
Change in Net Position	\$ 1,424,512	\$ 38,264
Net Position - Beginning	13,912,943	13,860,871
Prior Period Adjustments	(9,101,261)	13,808
Net Position - Ending	\$ 6,236,194	\$ 13,912,943

*See Note IV., J.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the current year.

The District's governmental funds reported combined ending fund balances of \$9,612,498, a decrease of \$15,594,061 or 62% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$7,317,070. Of this balance \$4,336,141 is committed for future construction.

Special Revenue Funds \$784,195. Of this balance, \$1,097 is restricted for use in the Food Service Fund. In addition, the District serves as fiscal agent for the Small Schools Special Education Cooperative and the Fairview Accelerated Educational Cooperative. The fund balances in those funds are restricted for use in the Small Schools Special Education Cooperative and the Fairview Accelerated Educational Cooperative in the amount of \$447,842 and \$335,256, respectively.

Debt Service Fund \$351,574. This balance is restricted for payment of long-term debt principal and interest.

Capital Projects Fund \$1,159,659. This balance is restricted for construction costs.

General Fund Budget

The original budget for the General Fund was \$10,548,297, and the final amended budget was \$10,577,025 which represents a \$28,728 increase in appropriations. Variances between the original budget and the final amended budget are reflected in Exhibit F-1 in the required supplementary information section of the audit report.

The District has adopted a budget for the General Fund in the amount of \$10,461,872 for the fiscal year 2019, which is a decrease of \$115,153 from the fiscal year 2018.

Capital Assets and Debt

Capital Assets - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2018.

Long-Term Debt - Financial statement footnote III., H. discloses the District's debt activity for the year ended August 31, 2018.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Russell Dacy, Superintendent, Wall Independent School District, P.O. Box 259, Wall, TX 76957-0259.

Basic Financial Statements

WALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 9,010,737
1120 Current Investments	3,878,347
1220 Property Taxes - Delinquent	107,737
1230 Allowance for Uncollectible Taxes	(48,477)
1240 Due from Other Governments	313,539
1250 Accrued Interest	3,843
1267 Due from Fiduciary Funds	1,381
1290 Other Receivables, Net	3,200
Capital Assets:	
1510 Land	1,212,764
1520 Buildings, Net	4,487,840
1530 Furniture and Equipment, Net	1,117,304
1550 Leased Property Under Capital Leases, Net	60,348
1580 Construction in Progress	18,170,340
1590 Infrastructure, Net	237,309
1000 Total Assets	38,556,212
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	792,924
1706 Deferred Outflow Related to TRS OPEB	80,336
1700 Total Deferred Outflows of Resources	873,260
LIABILITIES	
2110 Accounts Payable	2,607,458
2140 Interest Payable	33,227
2160 Accrued Wages Payable	601,411
2180 Due to Other Governments	36,646
2190 Due to Student Groups	1,111
2200 Accrued Expenses	57,243
2300 Unearned Revenue	41,772
Noncurrent Liabilities:	
2501 Due Within One Year	475,985
2502 Due in More Than One Year	19,489,985
2540 Net Pension Liability (District's Share)	1,966,428
2545 Net OPEB Liability (District's Share)	5,265,932
2000 Total Liabilities	30,577,198
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	413,331
2606 Deferred Inflow Related to TRS OPEB	2,202,749
2600 Total Deferred Inflows of Resources	2,616,080
NET POSITION	
3200 Net Investment in Capital Assets	6,478,527
3820 Restricted for Federal and State Programs	784,195
3850 Restricted for Debt Service	327,524
3900 Unrestricted	(1,354,052)
3000 Total Net Position	\$ 6,236,194

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

WALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 6,097,861	\$ 170,545	\$ 607,957	\$ (5,319,359)
12 Instructional Resources and Media Services	159,410	-	(18,557)	(177,967)
13 Curriculum and Instructional Staff Development	4,213	-	-	(4,213)
21 Instructional Leadership	246,386	-	235,530	(10,856)
23 School Leadership	426,142	-	22,607	(403,535)
31 Guidance, Counseling, and Evaluation Services	463,382	-	426,615	(36,767)
32 Social Work Services	38,839	-	35,865	(2,974)
33 Health Services	52,062	-	(9,116)	(61,178)
34 Student (Pupil) Transportation	486,256	-	63,619	(422,637)
35 Food Services	364,614	192,228	138,599	(33,787)
36 Extracurricular Activities	420,600	51,216	(42,370)	(411,754)
41 General Administration	325,790	-	(1,188)	(326,978)
51 Facilities Maintenance and Operations	881,084	2,835	71,547	(806,702)
52 Security and Monitoring Services	19,566	-	5,945	(13,621)
53 Data Processing Services	409,123	-	(69,922)	(479,045)
72 Debt Service - Interest on Long-Term Debt	633,733	-	-	(633,733)
73 Debt Service - Bond Issuance Cost and Fees	4,350	-	-	(4,350)
93 Payments Related to Shared Services Arrangements	326,358	-	-	(326,358)
98 Depreciation - Unallocated	24,461	-	-	(24,461)
99 Other Intergovernmental Charges	24,140	-	-	(24,140)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 11,408,370	\$ 416,824	\$ 1,467,131	(9,524,415)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	4,470,616
DT	Property Taxes, Levied for Debt Service	1,286,825
SF	State Aid - Formula Grants	4,733,949
IE	Investment Earnings	341,081
MI	Miscellaneous Local and Intermediate Revenue	116,456
TR	Total General Revenues	10,948,927
CN	Change in Net Position	1,424,512
NB	Net Position - Beginning	13,912,943
PA	Prior Period Adjustment	(9,101,261)
NE	Net Position--Ending	\$ 6,236,194

*Depreciation - Unallocated above excludes direct depreciation expense of the various programs.

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

WALL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	Major Special Revenue Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 3,712,402	\$ 570,202	\$ 3,681,149
1120 Investments - Current	3,878,347	-	-
1220 Property Taxes - Delinquent	92,991	-	-
1230 Allowance for Uncollectible Taxes	(41,842)	-	-
1240 Due from Other Governments	246,088	-	-
1250 Accrued Interest	3,843	-	-
1260 Due from Other Funds	1,381	-	-
1290 Other Receivables	3,200	-	-
1000 Total Assets	<u>\$ 7,896,410</u>	<u>\$ 570,202</u>	<u>\$ 3,681,149</u>
LIABILITIES			
2110 Accounts Payable	\$ 40,613	\$ 24,270	\$ 2,521,490
2160 Accrued Wages Payable	442,767	85,104	-
2180 Due to Other Governments	36,646	-	-
2190 Due to Student Groups	-	1,011	-
2200 Accrued Expenditures	8,165	11,975	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>528,191</u>	<u>122,360</u>	<u>2,521,490</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	51,149	-	-
2600 Total Deferred Inflows of Resources	<u>51,149</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	447,842	-
3480 Retirement of Long-Term Debt	-	-	-
3490 Other Restricted Fund Balance	-	-	1,159,659
Committed Fund Balance:			
3510 Construction	4,336,141	-	-
3600 Unassigned Fund Balance	2,980,929	-	-
3000 Total Fund Balances	<u>7,317,070</u>	<u>447,842</u>	<u>1,159,659</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,896,410</u>	<u>\$ 570,202</u>	<u>\$ 3,681,149</u>

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

Other Funds	Total Governmental Funds
\$ 760,715	\$ 8,724,468
-	3,878,347
14,746	107,737
(6,635)	(48,477)
67,451	313,539
-	3,843
-	1,381
-	3,200
<u>\$ 836,277</u>	<u>\$ 12,984,038</u>
\$ 21,085	\$ 2,607,458
73,540	601,411
-	36,646
100	1,111
3,742	23,882
41,772	41,772
<u>140,239</u>	<u>3,312,280</u>
<u>8,111</u>	<u>59,260</u>
<u>8,111</u>	<u>59,260</u>
336,353	784,195
351,574	351,574
-	1,159,659
-	4,336,141
-	2,980,929
<u>687,927</u>	<u>9,612,498</u>
<u>\$ 836,277</u>	<u>\$ 12,984,038</u>

WALL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	9,612,498
1 The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		252,908
2 Capital assets net of accumulated depreciation used in governmental activities are not reported in governmental funds.		25,285,905
3 Deferred outflows of resources related to pensions are not reported in governmental funds.		792,924
4 Deferred outflows of resources related to other postemployment benefits are not reported in governmental funds.		80,336
5 Accrued interest payable on long-term debt is not reported in governmental funds.		(33,227)
6 Long-term debt, including unamortized premiums, is not reported in governmental funds.		(19,965,970)
7 Recognition of the District's proportionate share of the net pension liability is not reported in governmental funds.		(1,966,428)
8 Recognition of the District's proportionate share of the net other postemployment benefit liability is not reported in governmental funds.		(5,265,932)
9 Deferred inflows of resources related to pensions are not reported in governmental funds.		(413,331)
10 Deferred inflows of resources related to other postemployment benefits are not reported in governmental funds.		(2,202,749)
11 Property taxes unavailable to pay for current period expenditures are deferred in governmental funds.		59,260
19 Net Position of Governmental Activities	<u>\$</u>	<u>6,236,194</u>

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

WALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	Major Special Revenue Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 4,909,837	\$ 34,594	\$ 204,008
5800 State Program Revenues	5,292,608	1,571,822	-
5900 Federal Program Revenues	-	18,289	-
5020 Total Revenues	<u>10,202,445</u>	<u>1,624,705</u>	<u>204,008</u>
EXPENDITURES:			
Current:			
0011 Instruction	5,778,490	1,123,548	608,989
0012 Instructional Resources and Media Services	127,007	-	61,389
0013 Curriculum and Instructional Staff Development	4,213	-	-
0021 Instructional Leadership	1,622	297,685	-
0023 School Leadership	412,581	-	44,936
0031 Guidance, Counseling, and Evaluation Services	247,144	18,343	8,360
0032 Social Work Services	-	-	-
0033 Health Services	63,324	914	3,949
0034 Student (Pupil) Transportation	717,040	122,628	-
0035 Food Services	30,079	-	37,532
0036 Extracurricular Activities	514,300	-	-
0041 General Administration	359,212	23,446	-
0051 Facilities Maintenance and Operations	887,137	79,634	4,774
0052 Security and Monitoring Services	12,950	229	-
0053 Data Processing Services	561,489	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	22,518	-
0072 Interest on Long-Term Debt	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	15,348,540
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	326,358	-	-
0099 Other Intergovernmental Charges	24,140	-	-
6030 Total Expenditures	<u>10,067,086</u>	<u>1,688,945</u>	<u>16,118,469</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>135,359</u>	<u>(64,240)</u>	<u>(15,914,461)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	4,270	1,700	-
7913 Capital Leases	-	65,241	-
7080 Total Other Financing Sources (Uses)	<u>4,270</u>	<u>66,941</u>	<u>-</u>
1200 Net Change in Fund Balances	139,629	2,701	(15,914,461)
0100 Fund Balance - September 1 (Beginning)	7,161,790	350,456	17,074,120
1300 Increase (Decrease) in Fund Balance	15,651	94,685	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 7,317,070</u>	<u>\$ 447,842</u>	<u>\$ 1,159,659</u>

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

	Other Funds	Total Governmental Funds
\$	1,507,876	\$ 6,656,315
	726,891	7,591,321
	936,284	954,573
	3,171,051	15,202,209
	871,819	8,382,846
	-	188,396
	-	4,213
	-	299,307
	94,920	552,437
	462,931	736,778
	35,865	35,865
	-	68,187
	-	839,668
	355,383	422,994
	-	514,300
	13,627	396,285
	71,206	1,042,751
	6,387	19,566
	2,754	564,243
	440,000	462,518
	744,075	744,075
	4,350	4,350
	-	15,348,540
	-	326,358
	-	24,140
	3,103,317	30,977,817
	67,734	(15,775,608)
	-	5,970
	-	65,241
	-	71,211
	67,734	(15,704,397)
	620,193	25,206,559
	-	110,336
\$	687,927	\$ 9,612,498

WALL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(15,704,397)
The net income (loss) of the internal service fund is reported with governmental activities.		22,116
Capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements.		15,661,553
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.		(776,585)
Issuance of bonds is shown as other resources in governmental funds but is shown as an increase in long-term debt in the government-wide financial statements.		(65,241)
Long-term debt principal payments are expenditures in governmental funds but are shown as reductions in long-term debt in the government-wide financial statements.		462,518
Interest is accrued on outstanding long-term debt in the government-wide financial statements but is reported as an expenditure in governmental funds when due.		(684)
Amortization of bond premium is not recorded in the governmental funds but is shown as a reduction in long-term debt in the government-wide financial statements.		111,026
Changes in the net pension liability and related deferred inflows and outflows are recognized in the government-wide financial statements but are not reported in governmental funds.		(97,011)
Changes in the net other postemployment benefit liability and related deferred inflows and outflows are recognized in the government-wide financial statements but are not reported in governmental funds.		1,845,434
Revenues from property taxes are deferred in governmental funds until they are considered available to finance current expenditures. In the government-wide financial statements, revenues are recognized when assessed, net of an allowance for uncollectible taxes.		(34,217)
Change in Net Position of Governmental Activities	\$	<u>1,424,512</u>

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

WALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 286,269
Total Assets	286,269
LIABILITIES	
Current Liabilities:	
Accrued Expenses	33,361
Total Liabilities	33,361
NET POSITION	
Unrestricted Net Position	252,908
Total Net Position	\$ 252,908

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

WALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 52,827
Total Operating Revenues	52,827
OPERATING EXPENSES:	
Professional and Contracted Services	34,446
Total Operating Expenses	34,446
Operating Income	18,381
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits and Investments	3,735
Total Nonoperating Revenues (Expenses)	3,735
Change in Net Position	22,116
Total Net Position - September 1 (Beginning)	208,610
Prior Period Adjustment	22,182
Total Net Position - August 31 (Ending)	\$ 252,908

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

WALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 52,827
Cash Payments for Insurance Claims	(22,717)
Net Cash Provided by Operating Activities	<u>30,110</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>3,735</u>
Net Increase in Cash and Cash Equivalents	33,845
Cash and Cash Equivalents at Beginning of Year	<u>252,424</u>
Cash and Cash Equivalents at End of Year	<u>\$ 286,269</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 18,381
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Prior Period Adjustment	22,182
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (Decrease) in Accrued Expenses	<u>(10,453)</u>
Net Cash Provided by Operating Activities	<u>\$ 30,110</u>

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

WALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 207,524
Total Assets	\$ 207,524
LIABILITIES	
Due to Other Funds	\$ 1,381
Due to Student Groups	206,143
Total Liabilities	\$ 207,524

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

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Wall Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally, the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Wall Independent School District (the primary government). There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the governmental funds balance sheet and on the proprietary funds statement of net position and as other resources and other uses on the governmental funds statement of revenues, expenditures, and changes in fund balance and on the proprietary funds statement of revenues, expenses, and changes in fund net position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as unearned revenue until related and authorized expenditures have been made.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund - SSA - Special Education Fund - This Fund accounts for the operation of a shared services arrangement for special education.

The Capital Projects Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

Additionally, the government reports the following fund types:

The Internal Service Fund accounts for the operations of a self-insured workers' compensation insurance program.

Agency Funds account for the activities of funds which are the property of student groups.

D. Cash and Cash Equivalents - Proprietary Funds

For purposes of the statement of cash flows for proprietary fund types, the District considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

F. Receivables and Payables

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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.

G. Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Vehicles	5-10
Furniture and Equipment	5-10

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. Pensions

In accordance with accounting guidance prescribed by GASB Statement No. 68, the fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Other Postemployment Benefits (OPEB)

In accordance with new accounting guidance prescribed by GASB Statement No. 75, the fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan, and all cash is held in a cash account.

K. Compensated Absences

The District's policy does not permit employees to accumulate unused vacation and sick leave to be paid to the employees upon separation from service.

L. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Federal and State Programs - This component of net position represents the balance of the Special Education SSA Cooperative, Accelerated Education Cooperative, and the Food Service Fund.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets, Restricted for Federal and State Programs, or Restricted for Debt Service.

M. Fund Balances/Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Fund Balances/Equity - Continued

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Unrestricted net position for proprietary funds represents the net position available for future operations.

In the General Fund, the District strives to maintain a yearly fund balance in which the total unassigned fund balance is not less than two months of operating expenditures.

N. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. 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.

O. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, and the Food Service Special Revenue Fund. The remaining Special Revenue Funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District 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. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The District is not exposed to this risk as described in the preceding paragraph.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

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 August 31, 2018, the District was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

At August 31, 2018, the District's investments with respective maturities and credit ratings consisted of the following:

<u>Public Funds Investment Pools</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
Texas CLASS	\$ 3,681,149	55%	47 Days	AAAm
TexPool	<u>2,973,581</u>	<u>45%</u>	28 Days	AAAm
Total Public Funds Investment Pools	<u>\$ 6,654,730</u>	<u>100%</u>		

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment 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 AAAM 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 investment in Pools is 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 as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

B. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments are summarized as follows:

	State Entitlements	Other	Total
General Fund	\$ 234,733	\$ 11,355	\$ 246,088
Special Revenue Funds	52,625	11,736	64,361
Debt Service Funds	0	3,090	3,090
Totals	\$ 287,358	\$ 26,181	\$ 313,539

C. Interfund Balances

The following is a summary of amounts due from and due to other funds:

	Due From	Due To	Purpose
General Fund			
Fiduciary Funds	\$ 1,381	\$ 0	Current Operations
Fiduciary Funds			
General Fund	0	1,381	Current Operations
Totals	\$ 1,381	\$ 1,381	

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

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets

Capital asset activity for the year ended August 31, 2018, was as follows:

<u>Governmental Activities</u>	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital Assets					
Land	\$ 1,212,764	\$ 0	\$ 0	\$ 0	\$ 1,212,764
Buildings and Improvements	14,836,461	18,369	0	0	14,854,830
Furniture and Equipment	3,665,756	238,842	151,290	0	3,753,308
Capital Lease	0	65,241	0	0	65,241
Infrastructure	586,274	0	0	0	586,274
Construction in Progress	2,831,239	15,339,101	0	0	18,170,340
Total Capital Assets	\$ 23,132,494	\$ 15,661,553	\$ 151,290	\$ 0	\$ 38,642,757
Less Accumulated Depreciation					
Buildings and Improvements	\$ (9,863,392)	\$ (503,598)	\$ 0	\$ 0	\$ (10,366,990)
Furniture and Equipment	(2,543,435)	(243,633)	(151,064)	0	(2,636,004)
Capital Lease	0	(4,893)	0	0	(4,893)
Infrastructure	(324,504)	(24,461)	0	0	(348,965)
Total Accumulated Depreciation	\$ (12,731,331)	\$ (776,585)	\$ (151,064)	\$ 0	\$ (13,356,852)
Governmental Activities Capital Assets, Net	\$ 10,401,163	\$ 14,884,968	\$ 226	\$ 0	\$ 25,285,905

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets - Continued

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 520,099
Instructional Resources and Media Services	6,724
Instructional Leadership	17,373
School Leadership	34,524
Guidance, Counseling, and Evaluation Services	50,133
Social Work Services	2,974
Health Services	3,634
Student (Pupil) Transportation	22,378
Food Services	9,470
Extracurricular Activities	17,745
General Administration	18,250
Facilities Maintenance and Operations	23,091
Data Processing Services	25,729
Unallocated	24,461
Total	\$ 776,585

E. Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period.

A deferred inflow of resources is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period.

Deferred outflows and inflows of resources are reported as described below:

Deferred Outflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred outflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred outflows as detailed in financial statement footnote IV., B.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Deferred Outflows and Inflows of Resources - Continued

Deferred Inflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred inflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred inflows as detailed in financial statement footnote IV., B.

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

F. Unearned Revenue

Unearned revenue at year end consisted of the following:

	Special Revenue Funds
Food Service (Local)	\$ 41,772

G. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2018, as follows:

Year Ending August 31,	
2019	\$ 35,151
2020	21,019
2021	14,283
2022	14,283
2023	1,190
Total Minimum Rentals	\$ 85,926

Rental expenditures during the year ended August 31, 2018, were \$41,218.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended August 31, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Unlimited Tax Refunding Bonds, Series 2015	\$ 950,000	\$ 0	\$ 175,000	\$ 775,000	\$ 185,000
Unlimited Tax School Building Bonds, Series 2016	17,050,000	0	265,000	16,785,000	270,000
Bond Premium - Series 2015	29,532	0	6,624	22,908	0
Bond Premium - Series 2016	2,444,741	0	104,402	2,340,339	0
Capital Lease	0	65,241	22,518	42,723	20,985
Totals	<u>\$ 20,474,273</u>	<u>\$ 65,241</u>	<u>\$ 573,544</u>	<u>\$ 19,965,970</u>	<u>\$ 475,985</u>

The District's outstanding bond issues are as follows:

Wall Independent School District Unlimited Tax Refunding Bonds, Series 2015. Issued to currently refund \$1,300,000 of Unlimited Tax Refunding Bonds, Series 2005. Issued in the original amount of \$1,295,000. Due in variable installments through February 2022 with interest rates of 2% to 2.5%.	\$ 775,000
Wall Independent School District Unlimited Tax School Building Bonds, Series 2016. Issued to construct, improve, renovate, and equip school buildings and to pay the costs associated with the issuance of the Bonds in the original amount of \$17,260,000. Due in variable installments through February 15, 2041, with interest rates of 2% to 5%.	<u>16,785,000</u>
Total Bonds Payable	<u>\$ 17,560,000</u>

The District's outstanding capital lease payable is as follows:

Capital lease to finance the acquisition of a 2018 bus as authorized by Texas Education Code, Section 34.009. This lease agreement qualifies as a capital lease for accounting purposes and is payable from the SSA - Special Education Fund with an interest rate of 3.59%.	<u>\$ 42,723</u>
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WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Long-Term Debt - Continued

The combined annual debt service requirements are as follows:

Year Ending August 31,	Unlimited Tax Refunding Bonds		General Obligation Bonds		Capital Lease		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 185,000	\$ 16,125	\$ 270,000	\$ 719,000	\$ 20,985	\$ 1,533	\$ 1,212,643
2020	190,000	12,138	280,000	713,500	21,738	780	1,218,156
2021	195,000	7,563	290,000	707,800	0	0	1,200,363
2022	205,000	2,562	295,000	701,950	0	0	1,204,512
2023	0	0	525,000	685,875	0	0	1,210,875
2024-2028	0	0	3,055,000	2,999,725	0	0	6,054,725
2029-2033	0	0	3,815,000	2,249,175	0	0	6,064,175
2034-2038	0	0	4,830,000	1,228,425	0	0	6,058,425
2039-2041	0	0	3,425,000	209,300	0	0	3,634,300
Totals	<u>\$ 775,000</u>	<u>\$ 38,388</u>	<u>\$ 16,785,000</u>	<u>\$ 10,214,750</u>	<u>\$ 42,723</u>	<u>\$ 2,313</u>	<u>\$ 27,858,174</u>

I. Outstanding Encumbrances

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

J. Revenues from Local and Intermediate Sources

Local and intermediate source revenues consists of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 4,571,123	\$ 0	\$ 1,302,302	\$ 0	\$ 5,873,425
Services Rendered to Other School Districts	0	26,943	0	0	26,943
Tuition and Fees	82,085	4,298	0	0	86,383
Other Local Sources	205,413	16,968	7,488	204,008	433,877
Cocurricular, Enterprising Services, or Activities	51,216	183,781	0	0	234,997
Intermediate Sources	0	690	0	0	690
Totals	<u>\$ 4,909,837</u>	<u>\$ 232,680</u>	<u>\$ 1,309,790</u>	<u>\$ 204,008</u>	<u>\$ 6,656,315</u>

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The Wall Independent School 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). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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; for those 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 postemployment benefit changes, including automatic COLAs. Ad hoc postemployment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the plan description above.

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

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

Contribution Rates		
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions		\$ 199,086
District's 2018 Member Contributions		630,201
District's 2017 NECE On-Behalf Contributions		361,471

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

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

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

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

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

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Actuarial Assumptions - The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.0%
Long-Term Expected Investment Rate of Return	8.0%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Postemployment Benefit Changes	None

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

Discount Rate - The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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, 2017, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			<u>1.0%</u>
Totals	<u>100.0%</u>		<u>8.7%</u>

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

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 net pension liability:

	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 3,315,009</u>	<u>\$ 1,966,428</u>	<u>\$ 843,515</u>

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2018, the Wall Independent School District reported a net pension liability of \$1,966,428 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	\$	1,966,428
State's Proportionate Share that is Associated with the District		<u>4,738,984</u>
Total		<u>\$ 6,705,412</u>

The net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net pension liability was 0.0061499661% which was a decrease of 0.0003731% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the Wall Independent School District recognized pension expense of \$361,471 and revenue of \$361,471 for support provided by the State in the government-wide statement of activities.

At August 31, 2018, the Wall Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Actuarial Experience	\$ 28,770	\$ 106,047
Changes in Actuarial Assumptions	89,574	51,279
Net Difference Between Projected and Actual Investment Earnings	-	143,309
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	475,494	112,696
Contributions Paid to TRS Subsequent to the Measurement Date	<u>199,086</u>	<u>-</u>
Totals	<u>\$ 792,924</u>	<u>\$ 413,331</u>

WALL INDEPENDENT SCHOOL DISTRICT 10865
Notes to the Financial Statements – 1086 Continued 82457
August 31, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

<u>Year Ending</u> <u>August 31,</u>	<u>Pension</u> <u>Expense</u> <u>Amount</u>
2019	\$ 37,941
2020	163,463
2021	28,299
2022	(13,347)
2023	(19,402)
Thereafter	(16,447)

B. Defined Other Postemployment Benefit Plans

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

OPEB Plan Fiduciary Net Position - Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.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.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017, are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 43,885,784,621
Less: Plan Fiduciary Net Position	<u>(399,535,986)</u>
Net OPEB Liability	<u><u>\$ 43,486,248,635</u></u>
Net Position as a Percentage of Total OPEB Liability	0.91%

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes, including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A and B coverage, with 20 to 29 years of service for the basic plan and the two optional plans:

TRS-Care Plan Premium Rates
Effective September 1, 2016 - December 31, 2017

	TRS-Care 1 <u>Basic Plan</u>	TRS-Care 2 <u>Optional Plan</u>	TRS-Care 3 <u>Optional Plan</u>
Retiree or Surviving Spouse	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree or Surviving Spouse and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
District's 2018 Employer Contributions		\$ 79,511
District's 2018 Member Contributions		60,908
District's 2017 NECE On-Behalf Contributions		(2,099,456)

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018. The District's proportionate share of the \$212 million received during the District's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actuarial Assumptions - The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

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

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

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% Participation Prior to Age 65 and 75% Participation After Age 65
Ad hoc Postemployment Benefit Changes	None

Discount Rate - A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of August 31, 2017.

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the net OPEB liability:

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's Proportionate Share of the Net OPEB Liability	<u>\$ 6,215,107</u>	<u>\$ 5,265,932</u>	<u>\$ 4,503,009</u>

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	<u>\$ 4,384,414</u>	<u>\$ 5,265,932</u>	<u>\$ 6,422,594</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At August 31, 2018, the Wall Independent School District reported a liability of \$5,265,932 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 5,265,932
State's Proportionate Share that is Associated with the District	<u>6,274,027</u>
Total	<u>\$ 11,539,959</u>

The net OPEB liability was measured as of August 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.0121094181% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation - The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.5%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law.

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

For the year ended August 31, 2018, the Wall Independent School District recognized OPEB expense of \$(2,099,456) and revenue of \$(2,099,456) for support provided by the State.

At August 31, 2018, the Wall Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Actuarial Experience	\$ -	\$ 109,930
Changes in Actuarial Assumptions	-	2,092,819
Net Difference Between Projected and Actual Investment Earnings	800	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	25	-
Contributions Paid to TRS Subsequent to the Measurement Date	<u>79,511</u>	<u>0</u>
Totals	<u>\$ 80,336</u>	<u>\$ 2,202,749</u>

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

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

Year Ending <u>August 31,</u>	<u>OPEB Expense Amount</u>
2019	\$ (290,546)
2020	(290,546)
2021	(290,546)
2022	(290,546)
2023	(290,746)
Thereafter	(748,994)

C. Health Care Coverage

The District and the SSA - Special Education Cooperative participate in TRS-Active Care sponsored by the Teacher Retirement System of Texas. TRS-Active Care (the Plan) provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the Plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The Plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

D. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

E. Property and Liability Coverage

During the year ended August 31, 2018, the District met its property and casualty obligations through participation in the Public Educators Association of Texas (PEAT). PEAT was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in PEAT execute Interlocal Agreements that define the responsibilities of the parties. PEAT provides statutory property and casualty benefits to its members.

PEAT and its members are protected against higher than expected claims costs through the purchase of fully funded reinsurance. The pool is reviewed by PEAT’s reinsurance partners, who then set the actuarial stop loss fund amount.

PEAT engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by PEAT’s Board of Trustees. PEAT’s audited financial statements as of August 31, 2017, are available at PEAT’s offices.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

E. Property and Liability Coverage - Continued

During the year ended August 31, 2018, the SSA - Special Education Cooperative participated in the TASB Risk Management Fund's (the Fund's) Property Casualty Program with coverage in general liability, property, and school professional legal liability.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2018, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available on the TASB Risk Management Fund website.

F. Unemployment Compensation Coverage

During the year ended August 31, 2018, the District and the SSA - Special Education Cooperative provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2018, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available on the TASB Risk Management Fund website.

G. Workers' Compensation Insurance

The District is partially uninsured with respect to workers' compensation insurance. The District participates in a shared risk pool, the "West Texas Educational Insurance Association," administered by Claims Administrative Services, Inc. Individual claims that exceed the loss fund maximum, stated at \$52,788 at August 31, 2018, are paid by the Association through a reinsurance program. The District is responsible for all claims up to the loss fund maximum. Cumulative unpaid claims (including "incurred but not reported" claims) that the District is responsible for paying totaled \$33,361 at August 31, 2018. Contributions to this pool for the current year were \$23,676. Transactions related to the program are accounted for in the Internal Service Fund.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

G. Workers' Compensation Insurance - Continued

Changes in the balances of claims liabilities are as follows:

	Year Ended August 31,	
	2018	2017
Unpaid Claims - Beginning	\$ 43,814	\$ 31,052
Incurred Claims	12,404	51,975
Claim Payments	(675)	(33,868)
Prior Period Adjustment	(22,182)	(5,345)
Unpaid Claims - Ending	\$ 33,361	\$ 43,814

The SSA - Special Education Cooperative is partially uninsured with respect to workers' compensation insurance. The SSA - Special Education Cooperative participates in a shared risk pool, the "West Texas Educational Insurance Association," administered by Claims Administrative Services, Inc. Individual claims that exceed the loss fund maximum, stated at \$12,394 at August 31, 2018, are paid by the Association through a reinsurance program. The SSA - Special Education Cooperative is responsible for all claims up to the loss fund maximum. Cumulative unpaid claims (including "incurred but not reported" claims) that the SSA - Special Education Cooperative is responsible for paying totaled \$10,286 at August 31, 2018. Contributions to this pool for the current year were \$6,398.

Changes in the balances of claims liabilities are as follows:

	Year Ended August 31,	
	2018	2017
Unpaid Claims - Beginning	\$ 9,885	\$ 7,489
Incurred Claims	5,414	4,060
Claim Payments	(2,244)	(416)
Prior Period Adjustment	(2,769)	(1,248)
Unpaid Claims - Ending	\$ 10,286	\$ 9,885

H. Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and 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 combined financial statements for such contingencies.

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

I. Shared Services Arrangements

The Wall Independent School District is the fiscal agent for a shared services arrangement which provides special education services to member districts, which are listed in the table below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. The District has accounted for the agent's activities of the shared services arrangement in Special Revenue Fund 437. This shared services arrangement does not accumulate significant financial resources. Member contributions/expenditures are summarized as follows:

Christoval Independent School District	\$	171,556
Eden Independent School District		178,930
Olfen Independent School District		38,425
Paint Rock Independent School District		148,251
Panther Creek Consolidated Independent School District		65,168
Robert Lee Independent School District		174,211
Sterling City Independent School District		133,145
Veribest Independent School District		179,639
Wall Independent School District		231,464
Water Valley Independent School District		<u>264,359</u>
Total	\$	<u><u>1,585,148</u></u>

The Wall Independent School District is the fiscal agent for a shared services arrangement which provides accelerated program services for at-risk students to member districts, which are listed in the table below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. The District has accounted for the agent's activities of the shared services arrangement in Special Revenue Fund 459. This shared services arrangement does not accumulate significant financial resources. Member contributions/expenditures are summarized as follows:

Ballinger Independent School District	\$	81,222
Christoval Independent School District		54,630
Grape Creek Independent School District		177,465
Miles Independent School District		21,857
Paint Rock Independent School District		23,106
Robert Lee Independent School District		46,460
Sterling City Independent School District		25,629
Veribest Independent School District		23,591
Wall Independent School District		118,663
Water Valley Independent School District		<u>28,947</u>
Total	\$	<u><u>601,570</u></u>

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

J. Negative Operating Grants and Contributions - Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-Care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the statement of activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense related to GASB 75 was negative due to changes in benefits within the TRS-Care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the statement of activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effects on the statement of activities related to GASB 75 as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On-Behalf Accruals)
11 Instruction	\$ 607,957	\$ 1,531,351	\$ 2,139,308
12 Instructional Resources and Media Services	(18,557)	22,760	4,203
21 Instructional Leadership	235,530	42,847	278,377
23 School Leadership	22,607	76,843	99,450
31 Guidance, Counseling, and Evaluation Services	426,615	61,432	488,047
32 Social Work Services	35,865	0	35,865
33 Health Services	(9,116)	12,201	3,085
34 Student (Pupil) Transportation	63,619	58,621	122,240
35 Food Services	138,599	30,614	169,213
36 Extracurricular Activities	(42,370)	51,966	9,596
41 General Administration	(1,188)	42,596	41,408
51 Facilities Maintenance and Operations	71,547	79,432	150,979
52 Security and Monitoring Services	5,945		5,945
53 Data Processing Services	(69,922)	88,793	18,871
	<u>\$ 1,467,131</u>	<u>\$ 2,099,456</u>	<u>\$ 3,566,587</u>

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2018

IV. OTHER INFORMATION - Continued

K. Adjustments to Net Position/Fund Balances

During fiscal year 2018, the District adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions." With GASB 75, the District must assume its proportionate share of the net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is a decrease in net position of \$9,233,779.

The financial statements reflect the following prior period adjustments:

	<u>Net Position Exhibit B-1</u>	<u>Fund Balances Exhibit C-3</u>	<u>Net Position Exhibit D-2</u>
General Fund			
Foundation Adjustment	\$ 15,651	\$ 15,651	\$ 0
SSA - Special Education Fund			
Record an Adjustment of Prior Year's Estimated Workers' Compensation Liability	2,769	2,769	0
Underpayment of SHARS Revenue	91,916	91,916	0
Internal Service Fund			
Record an Adjustment of Prior Year's Estimated Workers' Compensation Liability	22,182	0	22,182
GASB 75 as Noted Above	<u>(9,233,779)</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ (9,101,261)</u>	<u>\$ 110,336</u>	<u>\$ 22,182</u>

L. Commitments

The District issued bonds during the 2016 fiscal year for the purpose of constructing, improving, renovating, and equipping school buildings. The District received proceeds of \$19,817,843 which consisted of principal of \$17,260,000 and \$2,557,843 of bond premium. As of August 31, 2018, the District has \$1,159,659 remaining to be expended on these projects.

M. Subsequent Events

The District's management has evaluated subsequent events through November 26, 2018, the date which the financial statements were available for issue.

Required Supplementary Information

WALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,699,023	\$ 4,702,066	\$ 4,909,837	\$ 207,771
5800	State Program Revenues	5,520,393	5,546,078	5,292,608	(253,470)
5020	Total Revenues	10,219,416	10,248,144	10,202,445	(45,699)
EXPENDITURES:					
Current:					
0011	Instruction	6,007,731	6,002,761	5,778,490	224,271
0012	Instructional Resources and Media Services	133,002	133,266	127,007	6,259
0013	Curriculum and Instructional Staff Development	7,168	7,168	4,213	2,955
0021	Instructional Leadership	13,721	14,322	1,622	12,700
0023	School Leadership	418,034	419,007	412,581	6,426
0031	Guidance, Counseling, and Evaluation Services	262,914	263,671	247,144	16,527
0033	Health Services	70,711	70,857	63,324	7,533
0034	Student (Pupil) Transportation	788,154	788,713	717,040	71,673
0035	Food Services	33,107	33,415	30,079	3,336
0036	Extracurricular Activities	552,132	552,745	514,300	38,445
0041	General Administration	364,187	364,685	359,212	5,473
0051	Facilities Maintenance and Operations	949,741	950,620	887,137	63,483
0052	Security and Monitoring Services	9,608	15,651	12,950	2,701
0053	Data Processing Services	586,942	587,999	561,489	26,510
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	326,358	329,358	326,358	3,000
0099	Other Intergovernmental Charges	24,787	27,787	24,140	3,647
6030	Total Expenditures	10,548,297	10,562,025	10,067,086	494,939
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(328,881)	(313,881)	135,359	449,240
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	4,270	4,270
8911	Transfers Out (Use)	-	(15,000)	-	15,000
7080	Total Other Financing Sources (Uses)	-	(15,000)	4,270	19,270
1200	Net Change in Fund Balances	(328,881)	(328,881)	139,629	468,510
0100	Fund Balance - September 1 (Beginning)	7,161,790	7,161,790	7,161,790	-
1300	Increase (Decrease) in Fund Balance	-	-	15,651	15,651
3000	Fund Balance - August 31 (Ending)	\$ 6,832,909	\$ 6,832,909	\$ 7,317,070	\$ 484,161

WALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.006149966%	0.006523024%	0.0069362%	0.003787%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,966,428	\$ 2,464,954	\$ 2,451,854	\$ 1,011,559
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,738,984	5,582,253	5,429,964	4,696,429
Total	<u>\$ 6,705,412</u>	<u>\$ 8,047,207</u>	<u>\$ 7,881,818</u>	<u>\$ 5,707,988</u>
District's Covered Payroll	\$ 8,173,113	\$ 8,012,497	\$ 7,887,724	\$ 7,767,711
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	24.06%	30.76%	31.08%	13.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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

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

WALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 199,086	\$ 197,984	\$ 202,183	\$ 205,381
Contribution in Relation to the Contractually Required Contribution	(199,086)	(197,984)	(202,183)	(205,381)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 8,184,418	\$ 8,173,113	\$ 8,012,497	\$ 7,887,724
Contributions as a Percentage of Covered Payroll	2.43%	2.42%	2.52%	2.60%

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

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

WALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.012109418%
District's Proportionate Share of Net Postemployment Benefit Liability (Asset)	\$ 5,265,932
State's Proportionate Share of the Net Postemployment Benefit Liability (Asset) Associated with the District	6,274,027
Total	\$ 11,539,959
District's Covered Payroll	\$ 8,173,113
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	64.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

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

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

WALL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 79,511
Contribution in Relation to the Contractually Required Contribution	(79,511)
	\$ -0-
Contribution Deficiency (Excess)	-0-
District's Covered Payroll	\$ 8,184,418
Contributions as a Percentage of Covered Payroll	0.97%

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

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

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
August 31, 2018

Note A - Net Pension Liability

Changes of Benefit Terms

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

Changes of Assumptions

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

Note B - Net OPEB Liability

Changes of Benefit Terms

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

Changes of Assumptions

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

1. Significant plan changes were adopted during fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.5%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law.

Other Supplementary Information

WALL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.052000	252,810,743
2011	1.040000	0.052000	286,068,720
2012	1.040000	0.060000	288,317,956
2013	1.040000	0.056000	313,665,655
2014	1.040000	0.056000	330,212,617
2015	1.040000	0.056000	362,265,432
2016	1.040000	0.054000	388,829,534
2017	1.040000	0.278000	416,031,851
2018 (School year under audit)	1.040000	0.299920	429,389,306
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 27,291	\$ -	\$ 635	\$ 32	\$ (14)	\$ 26,610
3,003	-	2,030	102	-	871
3,476	-	2,151	108	-	1,217
3,411	-	2,145	124	-	1,142
4,483	-	2,071	112	(279)	2,021
4,773	-	3,550	191	1,087	2,119
21,979	-	6,797	366	755	15,571
15,779	-	12,372	642	661	3,426
61,884	-	38,181	10,206	(2,592)	10,905
-	5,753,473	4,431,610	1,278,008	-	43,855
<u>\$ 146,079</u>	<u>\$ 5,753,473</u>	<u>\$ 4,501,542</u>	<u>\$ 1,289,891</u>	<u>\$ (382)</u>	<u>\$ 107,737</u>

WALL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 183,500	\$ 183,500	\$ 183,781	\$ 281
5800 State Program Revenues	-	-	2,150	2,150
5900 Federal Program Revenues	140,277	140,277	149,699	9,422
5020 Total Revenues	<u>323,777</u>	<u>323,777</u>	<u>335,630</u>	<u>11,853</u>
EXPENDITURES:				
0035 Food Services	<u>371,133</u>	<u>371,133</u>	<u>342,345</u>	<u>28,788</u>
6030 Total Expenditures	<u>371,133</u>	<u>371,133</u>	<u>342,345</u>	<u>28,788</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(47,356)	(47,356)	(6,715)	40,641
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	15,000	-	(15,000)
1200 Net Change in Fund Balances	(47,356)	(32,356)	(6,715)	25,641
0100 Fund Balance - September 1 (Beginning)	<u>7,812</u>	<u>7,812</u>	<u>7,812</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ (39,544)</u>	<u>\$ (24,544)</u>	<u>\$ 1,097</u>	<u>\$ 25,641</u>

WALL INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,184,475	\$ 1,184,475	\$ 1,309,790	\$ 125,315
5020	Total Revenues	1,184,475	1,184,475	1,309,790	125,315
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	440,000	440,000	440,000	-
0072	Interest on Long-Term Debt	744,075	744,075	744,075	-
0073	Bond Issuance Cost and Fees	400	4,350	4,350	-
6030	Total Expenditures	1,184,475	1,188,425	1,188,425	-
1200	Net Change in Fund Balances	-	(3,950)	121,365	125,315
0100	Fund Balance - September 1 (Beginning)	230,209	230,209	230,209	-
3000	Fund Balance - August 31 (Ending)	\$ 230,209	\$ 226,259	\$ 351,574	\$ 125,315

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA

(325) 944-3571
FAX: (325) 942-1093
www.eckertcpa.com

Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S 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*

Board of Trustees
Wall Independent School District
P.O. Box 259
Wall, TX 76957-0259

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wall Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wall 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 Wall Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wall 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 District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the 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 Wall Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Eckert & Company, LLP

November 26, 2018



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www.eckertcpa.com

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American Institute of CPAs
Texas Society of CPAs

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

Board of Trustees
Wall Independent School District
P.O. Box 259
Wall, TX 76957-0259

Report on Compliance for Each Major Federal Program

We have audited the Wall Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Wall Independent School District's major federal programs for the year ended August 31, 2018. The Wall Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Wall Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control Over Compliance

Management of the Wall 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 Wall 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of This Report

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

Eckert & Company, LLP

November 26, 2018

WALL INDEPENDENT SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2018

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None Reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ___ Yes X No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Special Education Cluster
84.027	IDEA - Part B, Formula
84.173	IDEA - Part B, Preschool

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

Auditee qualified as low-risk auditee? X Yes ___ No

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

D. Findings - State Compliance

None

WALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101226906	\$ 65,561
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101226906	4,968
Total CFDA Number 84.010A			70,529
*SSA - IDEA - Part B, Formula	84.027	186600012269066600	644,775
*SSA - IDEA - Part B, Formula	84.027	196600012269066600	21,479
Total CFDA Number 84.027			666,254
*SSA - IDEA - Part B, Preschool	84.173	186610012269066610	20,502
*SSA - IDEA - Part B, Preschool	84.173	196610012269066610	2,564
Total CFDA Number 84.173			23,066
Total Special Education Cluster (IDEA)			689,320
ESEA, Title II, Part A-Supporting Effective Instr.	84.367A	18694501226906	15,117
ESEA, Title II, Part A-Supporting Effective Instr.	84.367A	19694501226906	1,619
Total CFDA Number 84.367A			16,736
ESEA, Title IV, Part A, Subpart I	84.424A	18680101226906	10,000
Total Passed Through State Department of Education			786,585
TOTAL U.S. DEPARTMENT OF EDUCATION			786,585
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	18-226906	25,087
*National School Lunch Program - Cash Assistance	10.555	18-226906	98,426
*National School Lunch Prog. - Non-Cash Assistance	10.555	18-226906	26,186
Total CFDA Number 10.555			124,612
Total Child Nutrition Cluster			149,699
Total Passed Through the State Department of Agriculture			149,699
TOTAL U.S. DEPARTMENT OF AGRICULTURE			149,699
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 936,284

*Clustered Programs

WALL INDEPENDENT SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
August 31, 2018

Note A - Summary of Significant Accounting Policies

The District utilizes the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*.

Federal and state awards generally are accounted for in a Special Revenue Fund, a component of the governmental fund types. A Special Revenue Fund is used to account for resources restricted to, or committed for, specific purposes by a grantor.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District has elected to not use the ten percent de minimis indirect cost rate allowed under Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note B - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2018. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note C - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards programs per the schedule of expenditures of federal awards and federal revenues reported on Exhibit C-3:

Total Expenditures of Federal Awards	\$ 936,284
School Health and Related Services (SHARS) Program	<u>18,289</u>
Federal Program Revenues Per Exhibit C-3	<u>\$ 954,573</u>

SCHOOLS FIRST QUESTIONNAIRE

WALL INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2018

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	1966428
SF13	Pension Expense (6147) at fiscal year-end.	0