

**WALNUT BEND INDEPENDENT
SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2022**

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Certificate of Board	1
	Independent Auditor's Report	2-3
	Management's Discussion and Analysis	4-9
	<u>Basic Financial Statements</u>	
	Government Wide Statements:	
A-1	Statement of Net Position	10
B-1	Statement of Activities	11
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	12
C-2	Reconciliation for C-1	13
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	14
C-4	Reconciliation for C-3	15
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	16
E-2	Statement of Changes in Fiduciary Net Position	17
	Notes to the Financial Statements	18-38
	<u>Required Supplementary Information</u>	
G-1	General Fund – Budgetary Comparison Schedule	39
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	40-41
G-3	Schedule of District Contributions to TRS	42-43
G-4	Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS)	44-45
G-5	Schedule of District Contributions for OPEB	46-47
	Notes to Required Supplementary Information	48
	<u>Combining Statements</u>	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	49-51
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	52-54
	<u>Required TEA Schedules</u>	
J-1	Schedule of Delinquent Taxes	55-56
J-2	Budgetary Comparison Schedule - Child Nutrition Fund	57
J-3	State Compensatory Education and Bilingual Education Program Expenditures	58
	<u>Compliance Section</u>	
	Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59-60
L	Schools First Questionnaire	61

CERTIFICATE OF BOARD

Walnut Bend Independent School District
Name of School District

Cooke
County

049908
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2022 at a meeting of the Board of Trustees of such school district on the 24th day of January, 2023.

Virginia McNamee
Signature of Board Secretary

Cindy Phillips
Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(Attach list as necessary.)



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Walnut Bend Independent School District
Gainesville, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Walnut Bend Independent School District (the District), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Walnut Bend Independent School District, as of August 31, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Walnut Bend Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Walnut Bend Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Walnut Bend Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Walnut Bend Independent School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 9), budgetary comparison information (page 39), and Teacher Retirement System schedules (pages 40 through 48) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walnut Bend Independent School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and the Texas Education Agency schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Texas Education Agency schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2023, on our consideration of the Walnut Bend Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Walnut Bend 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 Walnut Bend Independent School District's internal control over financial reporting and compliance.



Schalk & Smith, P.C.
Gainesville, Texas
January 23, 2023

WALNUT BEND INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Walnut Bend Independent School District (the "District"), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2022. Please read it in conjunction with the independent auditor's report on pages 2 and 3 and the District's Basic Financial Statements that begin on page 10.

FINANCIAL HIGHLIGHTS

- The District's combined net position increased by \$46,048 during the fiscal year from the result of current year operations.
- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$2,101,343.
- The District's governmental funds reported combined ending fund balance of \$1,496,038. \$1,036,601 of this total, or 69.3% is unassigned and available for use within the District.
- The General Fund ended the year with an unassigned fund balance of \$1,036,601 or 133.1% of non-capital general fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District's financial situation has improved as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are considered regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District discloses the following kind of activities:

Governmental activities—Most of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by an alumni scholarship program. All the District's fiduciary activities are reported in the Statement of Fiduciary Net Position on page 16. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Position (Table I) and changes in Net Position (Table II) of the District's governmental type activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,101,343, which represented an increase of \$46,048 from current period operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,050,787 at August 31, 2022.

Investment in capital assets (e.g., land, buildings, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding is \$1,041,119. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. An additional portion of the District's total net position in the amount of \$9,437 (approximately .45%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,050,787) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term commitments* that are less than currently available resources. The District recognized their proportionate share of net pension liability (\$120,826) and net OPEB liability (\$363,759).

Table I
NET POSITION

	Governmental Activities 2022	Governmental Activities 2021
Current and other assets	\$ 1,818,393	\$ 1,478,519
Capital assets	1,041,119	1,079,637
Total assets	2,859,512	2,558,156
Deferred outflows of resources	422,062	184,657
Long-term liabilities	484,585	433,449
Other liabilities	311,234	57,205
Total liabilities	795,819	490,654
Deferred inflows of resources	384,412	196,864
Net position		
Invested in capital assets net of related debt	1,041,119	1,079,637
Restricted	9,437	9,064
Unrestricted	1,050,787	966,594
Total net position	\$ 2,101,343	\$ 2,055,295

Table II
Changes in Net Position

	Governmental Activities 2022	Governmental Activities 2021
Revenues:		
Program Revenues:		
Charges for Services	\$ 8,463	\$ 8,645
Operating grants and contributions	193,494	188,883
General Revenues		
Maintenance and operations taxes	119,305	171,689
Grants and Contributions not restricted to specific functions	847,396	870,429
Investment Earnings	16,206	9,385
Miscellaneous	582	100,000
Total Revenue	<u>1,185,446</u>	<u>1,349,031</u>
Expenses:		
Instruction, curriculum and media services	566,594	517,527
Instructional and school leadership	100,061	83,670
Student support services	44,880	88,800
Child nutrition	104,761	87,396
Co-curricular activities	12,585	820
General Administration	101,239	116,716
Plant maintenance, security & data processing	195,817	175,273
Payments to Fiscal Agent	10,430	13,071
Other Intergovernmental Charges	3,031	3,657
Total Expenses	<u>1,139,398</u>	<u>1,086,930</u>
Increase in net position	46,048	262,101
Net position at 9/1	<u>2,055,295</u>	<u>1,793,194</u>
Net position at 8/31	<u><u>\$ 2,101,343</u></u>	<u><u>\$ 2,055,295</u></u>

The District's total net position increased by \$46,048 because of current period operations. The total cost of all governmental activities was \$1,139,398, which was \$52,468(4.8%) higher than the previous year.

The District lowered the property tax rate to .9634 per \$100 of valuation for the current year. The assessed valuation decreased. The result of this situation was a decrease in tax revenues from the previous year in the amount of \$52,384. State funding decreased by \$23,033 during the current year.

As shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through District taxes was \$73,257.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$1,496,038, which is higher than last year's total of \$1,412,430. Unassigned fund balance represents a large portion of total fund balances (\$1,036,601 or 69.3%) and is available for future spending or unanticipated events such as state funding uncertainties, increased student enrollment, wide swings in total property tax values, future salary increases or unexpected lawsuits. The remainder of fund balance (\$459,437 or 30.7%) is not available for new spending because it has already been restricted or committed for campus activities and unspent grants.

The General Fund is the primary operating fund of the District. At August 31, 2022, the General Fund had an unassigned fund balance of \$1,036,601. As a measure of the General Fund's liquidity, it is useful to compare both fund balance amounts to total fund expenditures (\$945,390). The unassigned fund balance and total fund balance represent 109.6% and 157.2% of total General Fund expenditures. The unassigned fund balance represents over 13 months of annual General Fund expenditures.

Total General Fund fund balance increased by \$82,236. During the fiscal year. Key factors related to this change include:

- Decrease in expenditures.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2021). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. The third category is amendments for unexpected events.

The District had no significant budget amendments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had \$1,041,119 (net of depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The District had no capital outlay for 2022. More detailed information about the District's capital assets is presented in Note IV-F to the financial statements. The District had the following capital assets at August 31, 2022 and 2021:

	2022	2021
Land	\$ 55,336	\$ 55,336
Buildings and improvements, net	937,617	964,349
Furniture and equipment, net	48,166	59,952
Total	<u>\$ 1,041,119</u>	<u>\$ 1,079,637</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected officials continue to consider many factors when setting the district's budget and tax rate.

- Based on ongoing legislative and economic trends, the District will continue to strive to be as financially conservative as possible while growing the student enrollment. The District will take

the opportunity to use grant funding to repair and replace as much infrastructure as possible, continue to strive for the most secure and safe environment for students and staff, and promote the continuing success of our students and staff.

- The District has discussed capital activity for the fiscal year 2022 – 2023 that includes; continuing repairs to existing facilities, renovation of the parking area, replacement of aging vehicles and adding additional storage facilities.

Overall the elected officials continue to monitor expenditures to avoid any increases in the local tax rate.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Walnut Bend Independent School District, 47 CR 198, Gainesville, Texas 76240.

BASIC FINANCIAL STATEMENTS

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2022

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,203,113
1120 Current Investments	477,539
1210 Property Taxes - Current	17,922
1230 Allowance for Uncollectible Taxes	(6,801)
1240 Due from Other Governments	109,071
1410 Prepayments	17,549
Capital Assets:	
1510 Land	55,336
1520 Buildings, Net	937,617
1530 Furniture and Equipment, Net	48,166
1000 Total Assets	<u>2,859,512</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	126,062
1706 Deferred Outflow Related to TRS OPEB	296,000
1700 Total Deferred Outflows of Resources	<u>422,062</u>
LIABILITIES	
2110 Accounts Payable	13,327
2160 Accrued Wages Payable	65,418
2180 Due to Other Governments	230,974
2200 Accrued Expenses	1,515
Noncurrent Liabilities:	
2540 Net Pension Liability (District's Share)	120,826
2545 Net OPEB Liability (District's Share)	363,759
2000 Total Liabilities	<u>795,819</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	131,399
2606 Deferred Inflow Related to TRS OPEB	253,013
2600 Total Deferred Inflows of Resources	<u>384,412</u>
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	1,041,119
Restricted:	
3820 Restricted for Federal and State Programs	5,915
3870 Restricted for Campus Activities	3,522
3900 Unrestricted	1,050,787
3000 Total Net Position	<u><u>\$ 2,101,343</u></u>

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

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 558,877	\$ 718	\$ 108,984	\$ (449,175)
12 Instructional Resources and Media Services	4,281	-	(102)	(4,383)
13 Curriculum and Instructional Staff Development	3,436	-	(105)	(3,541)
23 School Leadership	100,061	-	(1,546)	(101,607)
33 Health Services	750	-	-	(750)
34 Student (Pupil) Transportation	44,130	-	(703)	(44,833)
35 Food Services	104,761	-	68,401	(36,360)
36 Extracurricular Activities	12,585	992	(310)	(11,903)
41 General Administration	101,239	-	(287)	(101,526)
51 Facilities Maintenance and Operations	147,073	6,753	7,292	(133,028)
52 Security and Monitoring Services	14,244	-	11,870	(2,374)
53 Data Processing Services	34,500	-	-	(34,500)
93 Payments Related to Shared Services Arrangements	10,430	-	-	(10,430)
99 Other Intergovernmental Charges	3,031	-	-	(3,031)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 1,139,398	\$ 8,463	\$ 193,494	(937,441)
Data	General Revenues:			
Control	Taxes:			
Codes				
MT	Property Taxes, Levied for General Purposes			119,305
GC	Grants and Contributions not Restricted			847,396
IE	Investment Earnings			16,206
MI	Miscellaneous Local and Intermediate Revenue			582
TR	Total General Revenues			983,489
CN	Change in Net Position			46,048
NB	Net Position - Beginning			2,055,295
NE	Net Position - Ending			\$ 2,101,343

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

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,196,669	\$ 6,444	\$ 1,203,113
1120 Investments - Current	477,539	-	477,539
1210 Property Taxes - Current	17,922	-	17,922
1230 Allowance for Uncollectible Taxes	(6,801)	-	(6,801)
1240 Due from Other Governments	84,716	24,355	109,071
1260 Due from Other Funds	7,426	-	7,426
1410 Prepayments	17,549	-	17,549
1000 Total Assets	<u>\$ 1,795,020</u>	<u>\$ 30,799</u>	<u>\$ 1,825,819</u>
LIABILITIES			
2110 Accounts Payable	\$ 10,461	\$ 2,866	\$ 13,327
2160 Accrued Wages Payable	54,726	10,692	65,418
2170 Due to Other Funds	-	7,426	7,426
2180 Due to Other Governments	230,974	-	230,974
2200 Accrued Expenditures	1,137	378	1,515
2000 Total Liabilities	<u>297,298</u>	<u>21,362</u>	<u>318,660</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	11,121	-	11,121
2600 Total Deferred Inflows of Resources	<u>11,121</u>	<u>-</u>	<u>11,121</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	5,915	5,915
Committed Fund Balance:			
3510 Construction	400,000	-	400,000
3530 Capital Expenditures for Equipment	50,000	-	50,000
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	3,522	3,522
3600 Unassigned Fund Balance	1,036,601	-	1,036,601
3000 Total Fund Balances	<u>1,486,601</u>	<u>9,437</u>	<u>1,496,038</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,795,020</u>	<u>\$ 30,799</u>	<u>\$ 1,825,819</u>

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

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2022

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 1,496,038
1 Capital assets used in governmental activities are not financial resources and therefore are not reported as governmental funds.	2,029,679
2 Accumulated depreciation is not reported in the fund financial statements.	(988,560)
3 Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.	11,121
4 The District's proportionate share of the net pension liability required by GASB 68 in the amount of \$120,826, a deferred resource inflow related to TRS in the amount of \$131,399 and a deferred resource outflow related to TRS in the amount of \$126,062. These entries amounted to a decrease in the net position in the amount of (\$126,163).	(126,163)
5 The District's proportionate share of the net other post-employment benefit (OPEB) liability required by GASB 75 in the amount of \$363,759, a deferred resource inflow related to TRS OPEB in the amount of \$253,013 and a deferred resource outflow related to TRS OPEB in the amount of \$296,000. This amounted to a decrease in the net position in the amount of (\$320,722)	(320,772)
19 Net Position of Governmental Activities	\$ 2,101,343

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

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 141,758	\$ 561	\$ 142,319
5800 State Program Revenues	879,312	18,245	897,557
5900 Federal Program Revenues	7,556	186,644	194,200
5020 Total Revenues	1,028,626	205,450	1,234,076
EXPENDITURES:			
Current:			
0011 Instruction	468,707	118,325	587,032
0012 Instructional Resources and Media Services	4,641	-	4,641
0013 Curriculum and Instructional Staff Development	3,811	-	3,811
0023 School Leadership	105,409	-	105,409
0033 Health Services	750	-	750
0034 Student (Pupil) Transportation	38,918	-	38,918
0035 Food Services	-	105,454	105,454
0036 Extracurricular Activities	13,679	-	13,679
0041 General Administration	102,137	-	102,137
0051 Facilities Maintenance and Operations	126,432	-	126,432
0052 Security and Monitoring Services	2,374	11,870	14,244
0053 Data Processing Services	34,500	-	34,500
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	10,430	-	10,430
0099 Other Intergovernmental Charges	3,031	-	3,031
6030 Total Expenditures	914,819	235,649	1,150,468
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	113,807	(30,199)	83,608
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	30,571	30,571
8911 Transfers Out (Use)	(30,571)	-	(30,571)
7080 Total Other Financing Sources (Uses)	(30,571)	30,571	-
1200 Net Change in Fund Balances	83,236	372	83,608
0100 Fund Balance - September 1 (Beginning)	1,403,365	9,065	1,412,430
3000 Fund Balance - August 31 (Ending)	\$ 1,486,601	\$ 9,437	\$ 1,496,038

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

WALNUT BEND 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, 2022

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 83,608
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(38,518)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$27,030. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$20,023. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$244. The net result is an increase in the change in net position.	6,763
GASB 75 required that certain expenditures be de-expended and recorded as a deferred resource of outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$9,700. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$7,408. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$10,334. The net result is a decrease in the change in net position.	(8,042)
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures. Such revenue is recognized when assessed, net of an allowance for uncollectible amounts in the government-wide financial statements.	2,237
Change in Net Position of Governmental Activities	\$ 46,048

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

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2022

	Private Purpose Trust Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 18,976
Total Assets	<u>18,976</u>
NET POSITION	
Unrestricted Net Position	<u>18,976</u>
Total Net Position	<u><u>\$ 18,976</u></u>

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

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Private Purpose Trust Fund
ADDITIONS:	
Earnings from Temporary Deposits	\$ 46
Contributions, Gifts and Donations	4,050
Total Additions	<u>4,096</u>
DEDUCTIONS:	
Other Deductions	750
Total Deductions	<u>750</u>
Change in Fiduciary Net Position	3,346
Total Net Position - September 1 (Beginning)	<u>15,630</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 18,976</u></u>

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

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas 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 post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Walnut Bend Independent School District applies Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

The Board is elected by the public, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the GASB in its Statement No. 14, *The Reporting Entity*. There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by tax revenues, State foundation funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The District has no *business-type activities*.

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

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

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

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

C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING

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

Governmental fund financial statements 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 on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

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

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

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

Fiduciary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognized revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- The **General Fund** is the District's primary operating fund. It accounts for all financial resources, except those that are required to be accounted for in another fund.

Additionally, the District reports the following fund types:

Governmental Funds:

- **Special Revenue Funds** account for resources restricted to, or designated for, specific purposes by the District or a grantor. Most Federal and some State financial assistance are accounted for in Special Revenue Funds. Sometimes, unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

- **Private Purpose Trust Fund** is used to account for donations for scholarships. These are donations for which the donor has stipulated that both the principal and interest may be used.

E. OTHER ACCOUNTING POLICIES

1. **Cash and cash equivalents** – The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments, which are investments with original maturities of three months or less from date of acquisition.
2. **Inventories** – The District does not report inventories of supplies such as consumable maintenance, instruction, office, athletic, and transportation items due to the value of the items on hand at any given date being deemed immaterial.
3. **Compensated absences** – It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. At August 31, 2022, the District had no material liability for accrued personal leave.
4. **Capital assets** – Capital assets, which include land, buildings, building improvements, and furniture and equipment, are reported in the applicable governmental activities' columns in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

Assets	Years
Buildings	39
Building Improvements	39
Infrastructure	50
Vehicles	5-7
Office Equipment	3-10
Computer Equipment	3.5

The District has no restrictions on capital assets.

5. **Fund balances** – According to the District's fund balance policy, fund balance is comprised of the following components:
 - **Nonspendable** – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. At August 31, 2022, the District had no nonspendable fund balances.
 - **Restricted** – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws of regulations of other governments. The District had restricted fund balances for federal and state programs in the amount of \$5,915.
 - **Committed** – Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees policy or resolution. This includes the budget reserve account. At August 31, 2022, the District had committed \$50,000 for playground equipment, \$200,000 for gym improvements and \$200,000 for parking lot improvements.
 - **Assigned** – Amounts that are designated by the District for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Trustees. At August 31, 2022, the District had assigned fund balance associated with campus activity funds in the amount of \$3,522.
 - **Unassigned** – All amounts not included in other spendable classifications.

As discussed below, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Board of Trustees or the assignment has been changed by the District. Decreases to fund balance first reduce Unassigned Fund Balance; if Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order. The details of fund balances are included in the Governmental Funds Balance Sheet, Exhibit C-1.
6. **Net position** – When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first, unless unrestricted assets will have to be returned because they were not used.
7. **Deferred Outflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. The District reported the following Deferred Outflows of Resources on the Government-wide Statement of Net Position:

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

Deferred Outflow Related to TRS	\$ 126,062
Deferred Outflow Related to TRS OPEB	296,000
Total Deferred Outflows of Resources	<u>\$ 422,062</u>

8. **Deferred Inflows of Resources** - In addition to liabilities, the Statement of Financial Position will sometimes report a separate section deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applied to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District reports the following as Deferred Inflows of Resources on the Government-wide Statement of Net Position:

Deferred Inflow Related to TRS	\$ 131,399
Deferred Inflow Related to TRS OPEB	253,013
Total Deferred Outflows of Resources	<u>\$ 384,412</u>

The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide Statement of Net Position.

19. **Data control codes** – The data control codes refer to the account code structure prescribed by TEA in the *FASRG*. TEA requires school districts to display these codes in the financial statements filed with the Agency to ensure accuracy in building a statewide database for policy development and funding plans.
10. **Risk Management** - The District is exposed to various risks of loss related torts, theft, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. During fiscal year 2022, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board adopts an "appropriated budget" on a basis consistent for GAAP for the General Fund, and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted original and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for each of these funds. The General Fund Budget report appears in Exhibit G-1 and the other report is in Exhibit J-2.

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

1. Prior to August 20th, the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is called for the purpose of adopting the proposed budget. At least ten days, but not more than 30 days, public notice of the meeting is required.
3. Prior to September 1st, the Board legally enacts the budget through passage of a resolution. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

Because the District has a policy of careful budgetary control, several amendments were necessary during the year. There were no significant budget amendments.

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	Fund Balance
Nonappropriated Budget Funds	
State Textbook Fund	\$ 5,915
Campus Activity Funds	3,522

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following functions had an excess of expenditures over appropriations in the current year:

	Excess
General Fund	
Curriculum and Instructional Staff Development	\$ 16

C. DEFICIT FUND EQUITY

There are no deficit fund balances in the current year.

III. DETAILED NOTES ON ALL FUNDS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Concerning Deposits

- Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. As of August 31, 2022, the District's bank balances totaled \$1,099,318. This entire amount was either collateralized with securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- Foreign Currency Risk The District does not make investments that have foreign currency risk.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

Cash Deposits

At August 31, 2022, the following are the District's cash and cash equivalents (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) with respective maturities and credit rating:

Type of Deposit	Fair Value	Maturity in Less than 1 Year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Cash	\$ 1,071,635	\$ 1,071,635	\$ -	\$ -	n/a
Lone Star Investment Pool	150,453	150,453	-	-	n/a
Total	<u>\$ 1,222,088</u>	<u>\$ 1,222,088</u>	<u>\$ -</u>	<u>\$ -</u>	

Investments

The District's investments consisted of the following:

Type of Deposit	Fair Value	Maturity in Less than 1 Year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Certificates of Deposit	\$ 477,539	\$ -	\$ 477,539	\$ -	n/a

District Policies and Legal and Contractual Provisions Concerning Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in investment practices, management reports and establishment of appropriate policies. Amount 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, (9) and 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 and its agencies; (2) guaranteed or insured certificates of deposit issued by state and national banks domiciled in the State of Texas; (3) obligations of state, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and its fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the 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 Investments Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- **Credit Risk** - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in obligations of the U.S. Treasury or its agencies and instrumentalities; direct obligations of the state of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

by, or backed by the full faith and credit of the state of Texas, the United States or their respective agencies and instrumentalities; including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States; obligations of states agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and bonds issued, assumed, or guaranteed by the state of Israel as per Texas Statute Government Code 2256.009. Additionally, the District authorized investments in; certificates of deposit; fully collateralized repurchase agreements; certain securities lending programs; certain bankers' acceptances; certain commercial paper; certain no-load market mutual funds; certain no-load mutual funds; guaranteed investment contracts; and public funds investment pools.

- *Custodial Credit Risk for Investments* To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions.
- *Concentration of Credit Risk* To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District shall diversify in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity or specific issuers.
- *Interest Rate Risk* To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District shall use final and weighted-average maturity limits and diversification. The District shall monitor interest rate risk using weighted-average maturity and specific identification.
- *Foreign Currency Risk* The District does not make investments that have foreign currency and therefore is not exposed to foreign currency risk.

The District has no investments measured at Net Asset Value (NAV) per Share (or its equivalent).

B. PROPERTY TAXES

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

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

The District had the following interfund balances at August 31, 2022:

<u>Due To General Fund From:</u>	<u>Amount</u>	<u>Purpose</u>
Non-Major Funds:		
ESEA I, A Improving Basic Prog	\$ 24	Grant funds expended, not received at year-end
ESSER School Emergency Relief CARES	750	Grant funds expended, not received at year-end
ESEA V, Rural & Low Income	5,575	Grant funds expended, not received at year-end
ESSER II CRRSA Act	1,077	Grant funds expended, not received at year-end
Total	<u>7,426</u>	

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

The interfund transfers for the year ended August 31, 2022 are as follows:

	Amount	Reason
<u>Transfers From General Fund To:</u>		
Non Major Special Revenue Fund:		
National Breakfast and Lunch Program	\$ 30,571	To supplement child nutrition activity

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2022 were as follows:

	Governmental Funds		
	General Fund	Other Funds	Total Receivables
Property Taxes	\$ 17,922	\$ -	\$ 17,922
Less Allowance for Uncollectible	(6,801)	-	(6,801)
Other Governments	84,716	24,355	109,071
Other Funds	7,426	-	7,426
	<u>\$ 103,263</u>	<u>\$ 24,355</u>	<u>\$ 127,618</u>
Amounts Not Expected to be Collected During Subsequent Year (Included Above):			
Property Taxes	\$ 15,922	\$ -	\$ 15,922

Payables at August 31, 2022 were as follows:

	Governmental Funds		Fiduciary Fund	
	General Fund	Other Funds	Scholarship Fund	Total Payables
Accounts Payable	\$ 10,461	\$ 2,866	\$ -	\$ 13,327
Salaries and Benefits	55,863	11,070	-	66,933
Due to Other Funds	-	7,426	-	7,426
Due to Other Governments	230,974	-	-	230,974
	<u>\$ 297,298</u>	<u>\$ 21,362</u>	<u>\$ -</u>	<u>\$ 318,660</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2022 was as follows:

	Balance 9/1/2021	Increases	Reclassifications/ Reductions	Balance 8/31/2022
Governmental Activities				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 55,336	\$ -	\$ -	\$ 55,336
<u>Capital Assets Being Depreciated:</u>				
Buildings & Improvements	1,639,318	-	-	1,639,318
Furniture & Equipment	335,025	-	-	335,025
	<u>1,974,343</u>	<u>-</u>	<u>-</u>	<u>1,974,343</u>
Less Accumulated Depreciation				
Buildings & Improvements	674,969	26,732	-	701,701
Furniture & Equipment	275,073	11,786	-	286,859
	<u>950,042</u>	<u>38,518</u>	<u>-</u>	<u>988,560</u>
Net Capital Assets				
Being Depreciated	1,024,301	(38,518)	-	985,783
Net Capital Assets	<u>\$ 1,079,637</u>	<u>\$ (38,518)</u>	<u>\$ -</u>	<u>\$ 1,041,119</u>

Depreciation expense was charged to governmental functions as follows:

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

Instruction	\$ 3,714
Student Transportation	7,688
Food Services	5,571
Plant Maintenance	21,545
Total Depreciation Expense	<u>\$ 38,518</u>

G. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to finance certain activities partially or fully. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2022 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

	General Fund	Other Funds	Totals
Local Governments	\$ -	\$ -	\$ -
State Entitlements	84,716	7,019	91,735
Federal Grants	-	17,336	17,336
Totals	<u>\$ 84,716</u>	<u>\$ 24,355</u>	<u>\$ 109,071</u>

H. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	Governmental Funds		
	General Fund	Other Funds	Totals
Property Taxes	\$ 115,334	\$ -	\$ 115,334
Penalties and Interest	-		
On Property Taxes	1,736	-	1,736
Investment Income	16,186	20	16,206
Food Service	-	129	129
Rent	4,600	-	4,600
Miscellaneous	3,902	412	4,314
	<u>\$ 141,758</u>	<u>\$ 561</u>	<u>\$ 142,319</u>

I. LEASES

In June 2017, GASB issued Statement No. 87-Leases. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The initial adoption date was postponed to fiscal years beginning after June 15, 2021 (FY 2022) by GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance, which was issued in May of 2020.

Per review of the agreements identified by the District as potential leases, the leases were determined to either not meet the definition of a lease or were immaterial to the financial statements.

J. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

A State minimum personal leave program consisting of five days per year of personal leave, with no limit on accumulation and no restrictions on transfer among districts, is provided for District employees. All employees who are eligible for State personal leave also earn an additional five workdays of local sick leave per year.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

Local sick leave is cumulative subject to continuous employment with the District. Full-term employees (employees with 12-month appointments) are not eligible for paid vacation leave. The District has not recorded a liability for accumulated sick leave since the amount is not considered material.

K. PENSION PLAN

Plan Description. Walnut Bend Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is 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 workload 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

Texas Government Code section 821.006 prohibits benefit improvements, if because 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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

Contribution Rates

	2021	2022
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employers	7.50%	7.75%
Current fiscal year employer contribution	\$	27,030
Current fiscal year member contribution	\$	41,255
2019 measurement year NECE on-behalf contribution	\$	34,188

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. The contribution rate called the Public Education Employer Contribution replaced the Non-OASDI surcharge that was in effect in fiscal year 2019.

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

- All public schools must contribute 1.6% of the member's salary beginning in fiscal year 2021, gradually increasing to 2% in fiscal year 2025.
- 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.

Actuarial Assumptions.

The total pension liability in the August 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

Valuation date	August 31, 2020 Rolled forward to August 31, 2021
Actuarial cost method	Individual entry age normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August, 2019	1.95%-Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index"
Last Year ending August 31 in Projection	
Period (100 years)	2120
Inflation	2.30%
Salary increases	3.05%-9.05%, including inflation
Ad-hoc post employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions, please see the TRS actuarial valuation report dated November 9, 2020.

Discount Rate. The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity are made at the rate set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.5% of payroll in fiscal year 2020 gradually increasing 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payment of current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 7.25%. The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021, are summarized below:

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

<u>Asset Class*</u>	<u>Target Allocation**</u>	<u>Long-term Expected Geometric Real Rate of Return ***</u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
Global Equity			
USA	18%	3.6%	0.94%
Non-US Developed	13%	4.4%	0.83%
Emerging Markets	9%	4.6%	0.74%
Private Equity	14%	6.3%	1.36%
Stable Value			
Government Bonds	16%	-0.2%	1.00%
Absolute Return (including Credit Sensitive Investments)	0%	1.1%	0.00%
Stable Value Hedge Funds	5%	2.2%	0.12%
Real Return			
Real Estate	15%	4.5%	1.00%
Energy, Natural Resources and Infrastructure	6%	4.7%	0.35%
Commodities	0%	1.7%	0.00%
Risk Parity			
Risk Parity	8%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2%	-0.7%	-0.10%
Asset Allocation Leverage Cash	-6%	-0.5%	0.30%
Inflation Expectation			2.20%
Volatility Drag ****			-0.95%
Expected Return			6.90%

* Absolute Return includes Credit Sensitive Investments

** Target allocations are based on the FY2021 policy model

*** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021)

**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate.

	<u>1% Decrease in Discount Rate (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
District's proportionate share of net pension liability	<u>\$ 264,024</u>	<u>\$ 120,826</u>	<u>\$ 4,649</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2022, Walnut Bend Independent School District reported a

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

liability of \$120,826 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Walnut Bend Independent School District. The amount recognized by Walnut Bend Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Walnut Bend Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 120,826
State's proportionate share that is associated with the District	<u>204,022</u>
Total	<u><u>\$ 324,848</u></u>

The net pension liability was measured as of August 31, 2021, 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, 2020 thru August 31, 2021.

At August 31, 2021, the employer's proportion of the collective net pension liability was .0004744506% which was an increase of .0000881710% from its proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation –

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2022, Walnut Bend Independent School District recognized pension expense of \$21,083 and revenue of \$816 for support provided by the State,

At August 31, 2022, Walnut Bend Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined,)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experiences	\$ 202	\$ 8,506
Changes in actuarial assumptions	42,710	18,618
Differences between projected and actual investment earnings	-	101,311
Changes in proportion and differences between the employer's contribution and the proportionate share of contributions	56,120	2,964
Total as of August 31, 2021 measurement date	<u>\$ 99,032</u>	<u>\$ 131,399</u>
Contributions paid to TRS subsequent to the measurement date	27,030	-
Total as of fiscal year-end	<u><u>\$ 126,062</u></u>	<u><u>\$ 131,399</u></u>

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

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2023	\$ (4,839)
2024	(4,638)
2025	(12,918)
2026	(18,944)
2027	7,189
Thereafter	1,783

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

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

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage health plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes, including automatic COLAs.

The premium rates for retirees are present in the following table:

	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% 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.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

Contribution Rates

	2021	2022
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contribution		\$ 9,700
Current fiscal year member contribution		3,352
2021 measurement year NECE on-behalf contribution		9,870

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers 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 Contributions in the amount of \$5.5 million in fiscal year 2021 for consumer protection against medical and health care billing by certain out-of-pocket network providers.

Actual Assumptions. The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB liability to August 31, 2021.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern or practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

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

Additional actuarial methods and assumptions:

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

Valuation date	August 31, 2020 Rolled forward to August 31, 2021
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
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 claim costs
Projected salary increases	3.05%-9.05%, including inflation
Ad-hoc post employment benefit changes	None

Discount Rate. A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of .38% 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 is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021, using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the net OPEB liability	\$ 438,777	\$ 363,759	\$ 304,717

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 294,632	\$ 363,759	\$ 456,509

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2022, the District reported a liability of \$363,759 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for the 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 as follows:

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

District's proportionate share of the collective net OPEB liability	\$ 363,759
State's proportionate share that is associated with the District	487,356
Total	<u>\$ 851,115</u>

The Net OPEB Liability was measured as of August 31, 2021, 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, 2020 thru August 31, 2021.

At August 31, 2021, the employer's proportion of the collective Net OPEB Liability was 0.0009430036% which was an increase of .0003470058% from its proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation. There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2022, Walnut Bend Independent School District recognized OPEB expense of \$(245) and revenue of \$(17,987) for support provided by the State.

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experiences	\$ 15,662	\$ 176,085
Changes in actuarial assumptions	40,291	76,928
Differences between projected and actual investment earnings	395	-
Changes in proportion and differences between the employer's contribution and the proportionate share of contributions	229,952	-
Total as of August 31, 2019 measurement date	\$ 286,300	\$ 253,013
Contributions paid to TRS subsequent to the measurement date	9,700	-
Total as of fiscal year-end	<u>\$ 296,000</u>	<u>\$ 253,013</u>

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:

<u>Year Ended August 31,</u>	Pension <u>Expense Amount</u>
2023	\$ (8,481)
2024	(8,490)
2025	(8,488)
2026	1,088
2027	14,051
Thereafter	43,606

Medicare Part D. The Medicare Prescription Drug, Improvement and Modernization ACT of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug, expenditures for eligible TRS-Care participants. For the fiscal years ended August 31,

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

2022, 2021 and 2020, the subsidy payments received by TRS-Care on behalf of the District were \$1,631, \$2,482, and \$2,348, respectively. The information for the year ended August 31, 2020 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental fund's financial statements of the District.

M. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

Plan Description. The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care 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 monthly for all covered employees.

During the year ended August 31, 2022, the District paid premiums of \$223 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator.

N. LONG-TERM DEBT

A summary of changes in long-term debt for the year ended August 31, 2022 is as follows:

	Balance 9/1/2021	Additions	Retirements	Balance 8/31/2022
Net Pension Liability	\$ 206,883	\$ (65,810)	\$ 20,247	\$ 120,826
Net OPEB Liability	\$ 226,566	\$ 144,560	\$ 7,367	\$ 363,759

O. UNAVAILABLE/UNEARNED REVENUE

Unavailable revenue at year end consisted of the following:

	General Fund
Net Tax Revenue	\$ 11,121

P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

There were no construction commitments at August 31, 2022.

Q. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District is in a shared services arrangement (SSA) for special education services with the Cooke County Special Education Cooperative along with six other districts. Although 0.57% of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Valley View ISD, nor does the District have a net equity interest in the fiscal agent.

The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities or the shared services arrangement. The District contributed \$10,430 of local and state funds to the cooperative for the year ended August 31, 2022. Presented below are the revenues and expenditures attributable to the District's participation.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2022

R. RELATED ORGANIZATIONS

The District has no related organizations as defined by *Governmental Accounting Standards Board Statement Number 14*.

S. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through January 23, 2023, the date which the financial statements were available for issue and has determined that there were no subsequent events that requires disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

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	\$ 132,300	\$ 141,979	\$ 141,758	\$ (221)
5800 State Program Revenues	835,544	859,167	879,312	20,145
5900 Federal Program Revenues	102,634	7,556	7,556	-
5020 Total Revenues	1,070,478	1,008,702	1,028,626	19,924
EXPENDITURES:				
Current:				
0011 Instruction	510,096	469,967	468,707	1,260
0012 Instructional Resources and Media Services	6,888	6,888	4,641	2,247
0013 Curriculum and Instructional Staff Development	3,795	3,795	3,811	(16)
0023 School Leadership	100,928	105,928	105,409	519
0031 Guidance, Counseling, and Evaluation Services	1,800	1,800	-	1,800
0033 Health Services	2,000	2,000	750	1,250
0034 Student (Pupil) Transportation	45,106	43,356	38,918	4,438
0035 Food Services	44,950	-	-	-
0036 Extracurricular Activities	18,985	19,075	13,679	5,396
0041 General Administration	115,942	104,942	102,137	2,805
0051 Facilities Maintenance and Operations	96,118	139,055	126,432	12,623
0052 Security and Monitoring Services	8,000	9,000	2,374	6,626
0053 Data Processing Services	34,000	34,500	34,500	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	2,500	2,500	-	2,500
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	12,000	12,000	10,430	1,570
0099 Other Intergovernmental Charges	6,000	6,000	3,031	2,969
6030 Total Expenditures	1,009,108	960,806	914,819	45,987
1100 Excess of Revenues Over Expenditures	61,370	47,896	113,807	65,911
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(17,000)	(39,896)	(30,571)	9,325
1200 Net Change in Fund Balances	44,370	8,000	83,236	75,236
0100 Fund Balance - September 1 (Beginning)	1,403,365	1,403,365	1,403,365	-
3000 Fund Balance - August 31 (Ending)	\$ 1,447,735	\$ 1,411,365	\$ 1,486,601	\$ 75,236

WALNUT BEND 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, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Pension Liability (Asset)	0.000474451%	0.00038628%	0.000314789%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 120,826	\$ 206,883	\$ 163,637
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	204,022	421,129	438,167
Total	<u>\$ 324,848</u>	<u>\$ 628,012</u>	<u>\$ 601,804</u>
District's Covered Payroll	\$ 555,524	\$ 554,071	\$ 504,336
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	21.75%	37.34%	32.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

Note: GASB Codification, Vol. 2, P20.183 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, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>	<u>FY 2015</u> <u>Plan Year 2014</u>
0.000314805%	0.000330535%	0.00032846%	0.0003699%	0.0002028%
\$ 173,277	\$ 105,687	\$ 124,120	\$ 130,755	54,171
404,076	235,190	285,658	264,301	229,470
<u>\$ 577,353</u>	<u>\$ 340,877</u>	<u>\$ 409,778</u>	<u>\$ 395,056</u>	<u>\$ 283,641</u>
\$ 438,420	\$ 426,811	\$ 419,374	\$ 399,117	391,916
39.52%	24.76%	29.60%	32.76%	13.82%
73.74%	82.17%	78.00%	78.43%	83.25%

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$ 27,030	\$ 20,023	\$ 15,782
Contribution in Relation to the Contractually Required Contribution	(27,030)	(20,023)	(15,782)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 520,855	\$ 555,524	\$ 554,071
Contributions as a Percentage of Covered Payroll	5.19%	3.60%	2.85%

Note: GASB Codification, Vol. 2, P20.183 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.

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

	2019	2018	2017	2016	2015
\$	10,534	\$ 10,603	\$ 10,304	\$ 10,437	\$ 10,954
	(10,534)	(10,603)	(10,304)	(10,437)	(10,954)
\$	-	\$ -	\$ -	\$ -	\$ -
\$	504,336	\$ 438,420	\$ 426,811	\$ 419,374	\$ 399,117
	2.09%	2.42%	2.41%	2.49%	2.74%

WALNUT BEND 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, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.000943004%	0.000595998%	0.000575717%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 363,759	\$ 226,566	\$ 272,263
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	487,356	304,450	361,778
Total	<u>\$ 851,115</u>	<u>\$ 531,016</u>	<u>\$ 634,041</u>
District's Covered Payroll	\$ 555,524	\$ 554,071	\$ 504,336
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	65.48%	40.89%	53.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

FY 2019		FY 2018	
<u>Plan Year 2018</u>		<u>Plan Year 2017</u>	
0.000522427%		0.000499903%	
\$	260,853	\$	217,389
	372,507		334,185
<u>\$ 633,360</u>		<u>\$ 551,574</u>	
\$	438,420	\$	426,811
	59.50%		50.93%
	1.57%		0.91%

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	\$ 9,700	\$ 7,408	\$ 4,504
Contribution in Relation to the Contractually Required Contribution	(9,700)	(7,408)	(4,504)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 520,855	\$ 555,524	\$ 554,071
Contributions as a Percentage of Covered Payroll	1.86%	1.33%	0.81%

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.

<u>2019</u>		<u>2018</u>	
\$	3,946	\$	3,607
	(3,946)		(3,607)
<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
<hr/>		<hr/>	
\$	504,336	\$	438,420
	0.78%		0.82%

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2022

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

There were no changes in benefit terms since the prior measurement date.

Changes in Assumptions.

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

- The discount rate changed from 2.33% as of August 31, 2020, to 1.95%, as of August 31, 2021. This change increased the TOL.

COMBINING STATEMENTS

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		211	240	255
		ESEA I, A Improving Basic Program	National Breakfast and Lunch Program	ESEA II, A Training and Recruiting
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ 1,583	\$ -
1240	Due from Other Governments	1,809	4,207	321
1000	Total Assets	<u>\$ 1,809</u>	<u>\$ 5,790</u>	<u>\$ 321</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ 947	\$ -
2160	Accrued Wages Payable	1,651	4,739	288
2170	Due to Other Funds	24	-	-
2200	Accrued Expenditures	134	104	33
2000	Total Liabilities	<u>1,809</u>	<u>5,790</u>	<u>321</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
Assigned Fund Balance:				
3590	Other Assigned Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,809</u>	<u>\$ 5,790</u>	<u>\$ 321</u>

266 ESSER -School Emergency Relief -CARES	270 ESEA V, B,2 Rural & Low Income	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 ESEA Title IV Part A Subpart 1	410 State Instructional Materials	428 Math Academies	429 School Safety and Security Grant
\$ -	\$ -	\$ -	\$ 524	\$ -	\$ 97	\$ -	\$ 718
750	6,374	1,077	2,798	-	5,818	-	1,201
<u>\$ 750</u>	<u>\$ 6,374</u>	<u>\$ 1,077</u>	<u>\$ 3,322</u>	<u>\$ -</u>	<u>\$ 5,915</u>	<u>\$ -</u>	<u>\$ 1,919</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,919
-	739	-	3,275	-	-	-	-
750	5,575	1,077	-	-	-	-	-
-	60	-	47	-	-	-	-
<u>750</u>	<u>6,374</u>	<u>1,077</u>	<u>3,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,919</u>
-	-	-	-	-	5,915	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	5,915	-	-
<u>\$ 750</u>	<u>\$ 6,374</u>	<u>\$ 1,077</u>	<u>\$ 3,322</u>	<u>\$ -</u>	<u>\$ 5,915</u>	<u>\$ -</u>	<u>\$ 1,919</u>

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2022

Data Control Codes	461 Campus Activity Funds	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 3,522	\$ 6,444
1240 Due from Other Governments	-	24,355
1000 Total Assets	<u>\$ 3,522</u>	<u>\$ 30,799</u>
LIABILITIES		
2110 Accounts Payable	\$ -	\$ 2,866
2160 Accrued Wages Payable	-	10,692
2170 Due to Other Funds	-	7,426
2200 Accrued Expenditures	-	378
2000 Total Liabilities	<u>-</u>	<u>21,362</u>
FUND BALANCES		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	5,915
Assigned Fund Balance:		
3590 Other Assigned Fund Balance	3,522	3,522
3000 Total Fund Balances	<u>3,522</u>	<u>9,437</u>
4000 Total Liabilities and Fund Balances	<u>\$ 3,522</u>	<u>\$ 30,799</u>

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ 129	\$ -
5800 State Program Revenues	-	5,619	-
5900 Federal Program Revenues	14,435	69,135	1,115
5020 Total Revenues	14,435	74,883	1,115
EXPENDITURES:			
Current:			
0011 Instruction	14,435	-	1,115
0035 Food Services	-	105,454	-
0052 Security and Monitoring Services	-	-	-
6030 Total Expenditures	14,435	105,454	1,115
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(30,571)	-
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	30,571	-
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -

266 ESSER -School Emergency Relief -CARES	270 ESEA V, B,2 Rural & Low Income	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 ESEA Title IV Part A Subpart 1	410 State Instructional Materials	428 Math Academies	429 School Safety and Security Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	756	11,870
4,364	15,460	24,078	53,201	4,856	-	-	-
4,364	15,460	24,078	53,201	4,856	-	756	11,870
4,364	15,460	24,078	53,201	4,856	60	756	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	11,870
4,364	15,460	24,078	53,201	4,856	60	756	11,870
-	-	-	-	-	(60)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(60)	-	-
-	-	-	-	-	5,975	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,915	\$ -	\$ -

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	461 Campus Activity Funds	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 432	\$ 561
5800 State Program Revenues	-	18,245
5900 Federal Program Revenues	-	186,644
5020 Total Revenues	<u>432</u>	<u>205,450</u>
EXPENDITURES:		
Current:		
0011 Instruction	-	118,325
0035 Food Services	-	105,454
0052 Security and Monitoring Services	-	11,870
6030 Total Expenditures	<u>-</u>	<u>235,649</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	432	(30,199)
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	-	30,571
1200 Net Change in Fund Balance	432	372
0100 Fund Balance - September 1 (Beginning)	<u>3,090</u>	<u>9,065</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,522</u>	<u>\$ 9,437</u>

REQUIRED TEA SCHEDULES

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2022

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2013 and prior years	Various	Various	\$ 232,852,685
2014	1.040000	0.000000	29,356,907
2015	1.040000	0.000000	28,595,563
2016	1.040000	0.000000	17,845,790
2017	1.040000	0.000000	11,399,910
2018	1.040000	0.000000	12,495,515
2019	1.040000	0.000000	13,254,859
2020	0.970000	0.000000	14,335,867
2021	0.966400	0.000000	17,139,109
2022 (School year under audit)	0.963400	0.000000	12,212,712
1000 TOTALS			

(10) Beginning Balance 9/1/2021	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2022
\$ 5,472	\$ -	\$ 12	\$ -	\$ (124)	\$ 5,336
541	-	-	-	-	541
540	-	-	-	-	540
299	-	-	-	-	299
153	-	69	-	-	84
348	-	209	-	(8)	131
416	-	38	-	-	378
641	-	(205)	-	(243)	603
7,328	-	1,426	-	(327)	5,575
-	117,657	113,785	-	563	4,435
<u>\$ 15,738</u>	<u>\$ 117,657</u>	<u>\$ 115,334</u>	<u>\$ -</u>	<u>\$ (139)</u>	<u>\$ 17,922</u>

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2022

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	\$ -	\$ 129	\$ 129	\$ -
5800 State Program Revenues	300	12,466	5,619	(6,847)
5900 Federal Program Revenues	63,000	57,009	69,135	12,126
5020 Total Revenues	63,300	69,604	74,883	5,279
EXPENDITURES:				
Current:				
0035 Food Services	80,300	109,500	105,454	4,046
6030 Total Expenditures	80,300	109,500	105,454	4,046
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,000)	(39,896)	(30,571)	9,325
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	17,000	39,896	30,571	(9,325)
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
 STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
 FOR THE YEAR ENDED AUGUST 31, 2022

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	76153
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	79960

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	2390
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	1634

COMPLIANCE



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

To the Board of Trustees
Walnut Bend Independent School District
Gainesville, Texas

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 Walnut Bend Independent School District, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the Walnut Bend Independent School District's basic financial statements, and have issued our report thereon dated January 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Walnut Bend Independent School District's internal control over financial reporting (internal control) as a basis for designing 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 Walnut Bend Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Walnut Bend Independent School District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink, appearing to read "Schalk & Smith, P.C.", with a stylized flourish at the end.

Schalk & Smith, P.C.
Gainesville, Texas
January 23, 2023

SCHOOLS FIRST QUESTIONNAIRE

Walnut Bend Independent School District

Fiscal Year 2022

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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?	No
SF3	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? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
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 post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	0