WALNUT BEND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2019

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WALNUT BEND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2019

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CERTIFICATE OF BOARD

Walnut Bend Independent School District	Cooke	049908
Name of School District	County	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, 2019 at a meeting of the Board of Trustees of such school district on the 21st day of January, 2020.

Signature of Board Secretary

Signature of Board President

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

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SCHALK & SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

Thomas E. Schalk, CPA
Judy Smith, CPA
Cynthia Muñoz, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Walnut Bend Independent School District
47 CR 198
Gainesville, TX 76240

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walnut Bend Independent School District (the District), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Walnut Bend Independent School District, as of August 31, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 9), budgetary comparison information (page 39), and Teacher Retirement System schedules (pages 40 through 43) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

701 E. California St. • P.O. Box 1194 • Gainesville, TX 76241-1194 • 940-665-3702 • Fax 940-668-8458

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walnut Bend Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the Texas Education Agency required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is in Exhibits identified in the Table of Contents as H-1, H-2, and J-1 through J-2.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated November 29, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walnut Bend Independent School District's internal control over financial reporting and compliance.

Schalk & Smith, P.C.
Gainesville, Texas
November 29, 2019

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, 2019. 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 decreased by $455 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 $1,474,824.
- The District's governmental funds reported combined ending fund balance of $1,171,347. $694,838 of this total, or 59.3% is unassigned and available for use within the District.
- The General Fund ended the year with an unassigned fund balance of $694,838 or 80.3% 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 taken into account 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) provide 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 the 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 of 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 $1,474,824, which represented a decrease of $455 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 $743,739 at August 31, 2019.

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 $704,576. 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 $26,509 (approximately 1.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($743,739) 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 ($173,277) and net OPEB liability ($260,853).

Table I
NET POSITION

	Governmental Activities 2019	Governmental Activities 2018
Current and other assets	$ 1,226,448	$ 1,173,450
Capital assets	704,576	748,357
Total assets	1,931,024	1,921,807
Deferred outflows of resources	127,862	46,411
Long-term liabilities	434,130	323,076
Other liabilities	49,553	58,113
Total liabilities	483,683	381,189
Deferred inflows of resources	100,379	111,750
Net position		
Invested in capital assets net of related debt	704,576	748,357
Restricted	26,509	11,216
Unrestricted	743,739	715,706
Total net position	$ 1,474,824	$ 1,475,279

Table II
Changes in Net Position

	Governmental Activities 2019	Governmental Activities 2018
Revenues:		
Program Revenues:		
Charges for Services	$ 7,309	$ 14,070
Operating grants and contributions	160,312	(24,689)
General Revenues		
Maintenance and operations taxes	143,103	130,654
Grants and Contributions not restricted to specific functions	699,514	663,301
Investment Earnings	21,051	11,942
Miscellaneous	3,859	-
Total Revenue	1,035,148	795,278
Expenses:		
Instruction, curriculum and media services	522,355	334,367
Instructional and school leadership	113,887	54,061
Student support services	64,569	56,642
Child nutrition	91,043	64,685
Co-curricular activities	16,737	6,801
General Administration	97,827	73,905
Plant maintenance, security & data processing	122,244	98,677
Payments to Fiscal Agent	4,012	16,513
Other Intergovernmental Charges	2,929	2,834
Total Expenses	1,035,603	708,485
Increase in net position	(455)	86,793
Net position at 9/1	1,475,279	1,769,695
Prior period adjustment	-	(381,209)
Net position at 8/31	$ 1,474,824	$ 1,475,279

The District's total net position decreased by $455 as a result of current period operations. The total cost of all governmental activities was $1,035,603, which was $327,118 (46.17%) higher than the previous year.

The District did not change the property tax rates. It remained at $1.04 per $100 of valuation for the current year. There was an increase in assessed valuation resulted in a slight increase in tax revenues from the previous year of $12,449. State funding increased by $36,213 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 $143,103.

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 $1,171,347, which is higher than last year's total of $1,105,702. Unassigned fund balance represents a large portion of total fund balances ($694,838 or 59.3%) 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 ($476,509 or 40.7%) 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, 2019, the General Fund had unassigned fund balance of $694,838. As a measure of the General Fund's liquidity, it is useful to compare both fund balance amounts to total fund expenditures ($864,839). Unassigned fund balance and total fund balance represent 80.34% and 132.3% of total General Fund expenditures. The unassigned fund balance represents almost 10 months of annual General Fund expenditures.

Total General Fund fund balance increased by $50,352 during the fiscal year. Key factors related to this change include:

- Increase in Tax Revenue
- Increase in State Funding

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 2018). 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 2019, the District had $704,576 (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 purchases during the current fiscal year. 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, 2019 and 2018:

	2019	2018
Land	$ 55,336	$ 55,336
Buildings and improvements, net	592,222	608,163
Furniture and equipment, net	57,018	84,858
Total	$ 704,576	$ 748,357

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 rates.

- Based on this summer's legislative session, there have been many changes in state funding for public education. Legislative bills focused on changes to student allotment amounts and increases in money to be set aside for teacher and staff raises. The effect of these legislated changes continues to evolve as the state passes down interpretations throughout the school year. State funding for public education continues to be a hot topic and it will be interesting to see what effects these changes will create in the upcoming months.
- The maintenance and operations rate was set at $0.97 per $100 of valuation, as prescribed by HB3 this summer. This was made possible by slightly higher property taxes and a significant increase in state funding.
- Facility expenditures could again be a factor during the 2019-2020 school year. Foundation issues which occurred in the past seem to again be surfacing with major cracks appearing in some walls. Consideration is also being given for improvements to the gym. Neither of these should be covered by insurance so expenditures could affect the school's budget substantially.
- The district is continuing to work hard to attract additional students. Enrollment dropped slightly this school year, but the District hopes that improvements in the facilities will attract additional students. Attendance is monitored closely in an attempt to increase the school's funding for ADA.
- With the cost of insurance increasing at a rapid rate, the district is trying to keep staff salaries increasing to aid our employees with these higher costs. With payroll expenses being a large part of the district's budget, these costs could certainly be a major factor in the district's budget.

Overall, the elected officials continue to strive to keep expenditures under control 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

EXHIBIT A-1

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

Data Control Codes		Primary Government: Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	$ 649,923
1120	Current Investments	458,228
1210	Property Taxes - Current	14,535
1230	Allowance for Uncollectible Taxes	(8,988)
1240	Due from Other Governments	70,308
1290	Other Receivables, Net	14
1410	Prepayments	42,428
	Capital Assets:	
1510	Land	55,336
1520	Buildings, Net	592,222
1530	Furniture and Equipment, Net	57,018
1000	Total Assets	1,931,024
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Outflow Related to TRS Pension	93,330
1706	Deferred Outflow Related to TRS OPEB	34,532
1700	Total Deferred Outflows of Resources	127,862
LIABILITIES		
2110	Accounts Payable	3,113
2160	Accrued Wages Payable	40,045
2180	Due to Other Governments	5,451
2200	Accrued Expenses	944
	Noncurrent Liabilities:	
2540	Net Pension Liability (District's Share)	173,277
2545	Net OPEB Liability (District's Share)	260,853
2000	Total Liabilities	483,683
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	17,891
2606	Deferred Inflow Related to TRS OPEB	82,488
2600	Total Deferred Inflows of Resources	100,379
NET POSITION		
3200	Net Investment in Capital Assets	704,576
3820	Restricted for Federal and State Programs	23,776
3870	Restricted for Campus Activities	2,733
3900	Unrestricted	743,739
3000	Total Net Position	$ 1,474,824

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

EXHIBIT B-1

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		1	Program Revenues 3	4	Net (Expense) Revenue and Changes in Net Position 6
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:					
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 516,211	$ 1,618	$ 79,277	$ (435,316)
12	Instructional Resources and Media Services	5,384	-	530	(4,854)
13	Curriculum and Instructional Staff Development	760	-	-	(760)
23	School Leadership	113,887	-	10,171	(103,716)
31	Guidance, Counseling and Evaluation Services	1,329	-	-	(1,329)
33	Health Services	858	-	-	(858)
34	Student (Pupil) Transportation	62,382	-	2,160	(60,222)
35	Food Services	91,043	-	59,862	(31,181)
36	Extracurricular Activities	16,737	838	1,001	(14,898)
41	General Administration	97,827	-	5,126	(92,701)
51	Facilities Maintenance and Operations	92,088	4,853	2,185	(85,050)
53	Data Processing Services	30,156	-	-	(30,156)
93	Payments Related to Shared Services Arrangements	4,012	-	-	(4,012)
99	Other Intergovernmental Charges	2,929	-	-	(2,929)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 1,035,603	$ 7,309	$ 160,312	(867,982)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	143,103
GC	Grants and Contributions not Restricted	699,514
IE	Investment Earnings	21,051
MI	Miscellaneous Local and Intermediate Revenue	3,859
TR	Total General Revenues	867,527
CN	Change in Net Position	(455)
NB	Net Position - Beginning	1,475,279
NE	Net Position--Ending	$ 1,474,824

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

EXHIBIT C-1

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
	ASSETS			
1110	Cash and Cash Equivalents	$ 645,456	$ 4,467	$ 649,923
1120	Investments - Current	458,228	-	458,228
1210	Property Taxes - Current	14,535	-	14,535
1230	Allowance for Uncollectible Taxes	(8,988)	-	(8,988)
1240	Due from Other Governments	43,412	26,896	70,308
1260	Due from Other Funds	2,174	-	2,174
1290	Other Receivables	14	-	14
1410	Prepayments	41,378	1,050	42,428
1000	Total Assets	$ 1,196,209	$ 32,413	$ 1,228,622
	LIABILITIES			
2110	Accounts Payable	$ 3,113	$ -	$ 3,113
2160	Accrued Wages Payable	36,489	3,556	40,045
2170	Due to Other Funds	-	2,174	2,174
2180	Due to Other Governments	5,451	-	5,451
2200	Accrued Expenditures	770	174	944
2000	Total Liabilities	45,823	5,904	51,727
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	5,548	-	5,548
2600	Total Deferred Inflows of Resources	5,548	-	5,548
	FUND BALANCES			
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	23,776	23,776
3490	Other Restricted Fund Balance	-	2,733	2,733
	Committed Fund Balance:			
3510	Construction	400,000	-	400,000
3530	Capital Expenditures for Equipment	50,000	-	50,000
3600	Unassigned Fund Balance	694,838	-	694,838
3000	Total Fund Balances	1,144,838	26,509	1,171,347
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 1,196,209	$ 32,413	$ 1,228,622

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

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT C-2

	Total Fund Balances - Governmental Funds	$	1,171,347
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as governmental funds.		1,576,936
2	Accumulated depreciation is not reported in the fund financial statements.		(872,360)
3	Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.		5,548
4	The District's proportionate share of the net pension liability required by GASB 68 in the amount of $173,277, a deferred resource inflow related to TRS in the amount of $17,891 and a deferred resource outflow related to TRS in the amount of $93,330. These entries amounted to a decrease in the net position in the amount of $(97,838).		(97,838)
5	The District's proportionate share of the net other post-employment benefit (OPEB) liability required by GASB 75 in the amount of $260,853, a deferred resource inflow related to TRS OPEB in the amount of $82,488 and a deferred resource outflow related to TRS OPEB in the amount of $34,532. This amounted to a decrease in the net position in the amount of ($308,809).		(308,809)
19	**Net Position of Governmental Activities**	$	1,474,824

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

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 176,535	$ 2,874	$ 179,409
5800	State Program Revenues	738,656	15,546	754,202
5900	Federal Program Revenues	-	89,031	89,031
5020	Total Revenues	915,191	107,451	1,022,642
	EXPENDITURES:			
	Current:			
0011	Instruction	453,746	35,568	489,314
0012	Instructional Resources and Media Services	5,019	-	5,019
0013	Curriculum and Instructional Staff Development	760	-	760
0023	School Leadership	108,448	-	108,448
0031	Guidance, Counseling and Evaluation Services	1,329	-	1,329
0033	Health Services	858	-	858
0034	Student (Pupil) Transportation	36,399	-	36,399
0035	Food Services	2,298	73,339	75,637
0036	Extracurricular Activities	16,173	-	16,173
0041	General Administration	95,041	-	95,041
0051	Facilities Maintenance and Operations	90,952	-	90,952
0053	Data Processing Services	30,126	-	30,126
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	4,012	-	4,012
0099	Other Intergovernmental Charges	2,929	-	2,929
6030	Total Expenditures	848,090	108,907	956,997
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	67,101	(1,456)	65,645
	OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	16,749	16,749
8911	Transfers Out (Use)	(16,749)	-	(16,749)
7080	Total Other Financing Sources (Uses)	(16,749)	16,749	-
1200	Net Change in Fund Balances	50,352	15,293	65,645
0100	Fund Balance - September 1 (Beginning)	1,094,486	11,216	1,105,702
3000	Fund Balance - August 31 (Ending)	$ 1,144,838	$ 26,509	$ 1,171,347

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

WALNUT BEND INDEPEDENT SCHOOL DISTRICT EXHIBIT C-4
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, 2019

Total Net Change in Fund Balances - Governmental Funds	$	65,645
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.		(43,781)
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 $10,534. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling $10,603. 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 $14,036. The net result is a decrease in the change in net position.		(14,105)
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 $3,946. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling $3,607. 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 $4,466. The net result is a decrease in the change in net position.		(4,127)
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.		(4,087)
Change in Net Position of Governmental Activities	$	(455)

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

EXHIBIT E-1

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2019

	Private Purpose Trust Fund
ASSETS	
Cash and Cash Equivalents	$ 15,166
Total Assets	15,166
NET POSITION	
Restricted for Scholarships	15,166
Total Net Position	$ 15,166

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

EXHIBIT E-2

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	$ 150
Total Additions	150
Change in Net Position	150
Total Net Position - September 1 (Beginning)	15,016
Total Net Position - August 31 (Ending)	$ 15,166

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

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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) 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 of 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.

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

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

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, 2019, 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:

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, 2019 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 ($23,776) and campus activity funds ($2,733).
- **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, 2019 the District had committed $50,000 for playground equipment, $200,000 for gym improvement 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, 2019, the District had no assigned fund balance.
- **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; in the event that 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:

Deferred Outflow Related to TRS	$	93,330
Deferred Outflow Related to TRS OPEB		34,532
Total Deferred Outflows of Resources	$	127,862

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	$	17,891
Deferred Inflow Related to TRS OPEB		82,488
Total Deferred Inflows of Resources	$	100,379

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 in order 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 2019, 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 fiscal year end. 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	$ 23,776
Campus Activity Funds	2,733

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

	Excess
General Fund	
Instructional Resources and Media Services	1,966
School Leadership	1,548
Food Services	2,298
General Administration	541
Child Nutrition Services	4,839

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, 2019, the District's bank balances totaled $564,961. 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.

Cash Deposits

At August 31, 2019, 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	$ 517,329	$ 517,329	$ -	$ -	n/a
Lone Star Investment Pool	147,760	147,760	-	-	n/a
Total	$ 665,089	$ 665,089	$ -	$ -	

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	$ 458,228	$ -	$ 458,228	$ -	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 the area of 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 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 the 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 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

Interfund balances at August 31, 2019 consisted of the following individual fund balances:

Due To General Fund From:	Amount	Purpose
Major Funds:		
Child Nutrition Fund	$ 2,174	Grant funds expended, not received at year-end

The interfund transfers for the year ended August 31, 2019 are as follows:

	Amount	Reason
Transfers From General Fund To:		
Major Special Revenue Fund:		
Child Nutrition Fund	$ 16,749	To supplement child nutrition activity

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2019 were as follows:

	Governmental Funds		
	General Fund	Other Funds	Total Receivables
Property Taxes	$ 14,535	$ -	$ 14,535
Less Allowance for Uncollectible	(8,988)	-	(8,988)
Other Governments	43,412	26,896	70,308
Other	14		14
Other Funds	2,174	-	2,174
	$ 51,147	$ 26,896	$ 78,043
Amounts Not Expected to be Collected During Subsequent Year (Included Above):			
Property Taxes	$ 12,835	$ -	$ 12,835

Payables at August 31, 2019 were as follows:

	Governmental Funds		Fiduciary Fund	
	General Fund	Other Funds	Scholarship Fund	Total Payables
Accounts Payable	$ 3,113	$ -	$ -	$ 3,113
Salaries and Benefits	37,259	3,730	-	40,989
Other Funds	-	2,174	-	2,174
Due to Other Governments	5,451	-		5,451
	$ 45,823	$ 5,904	$ -	$ 51,727

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2019 was as follows:

Governmental Activities	Balance 9/1/2018	Increases	Reclassifications/ Reductions	Balance 8/31/2019
Capital Assets Not Being Depreciated:				
Land	$ 55,336	$ -	$ -	$ 55,336
Capital Assets Being Depreciated:				
Buildings & Improvements	1,227,562	-	-	1,227,562
Furniture & Equipment	294,038	-	-	294,038
	1,521,600	-	-	1,521,600
Less Accumulated Depreciation				
Buildings & Improvements	619,399	15,941	-	635,340
Furniture & Equipment	209,180	27,840	-	237,020
	828,579	43,781	-	872,360
Net Capital Assets Being Depreciated	693,021	(43,781)	-	649,240
Net Capital Assets	$ 748,357	$ (43,781)	$ -	$ 704,576

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 6,674
Student Transportation	24,881
Food Services	5,571
Plant Maintenance	6,655
Total Depreciation Expense	$ 43,781

G. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2019 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	43,412	23,679	67,091
Federal Grants	-	3,217	3,217
Totals	$ 43,412	$ 26,896	$ 70,308

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	$ 141,904	$ -	$ 141,904
Penalties and Interest On Property Taxes	5,286	-	5,286
Investment Income	20,991	59	21,050
Food Sales	-	-	-
Miscellaneous	8,354	2,815	11,169
	$ 176,535	$ 2,874	$ 179,409

I. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2019 as follows:

Year Ended August 31,	Amount
2020	4,044
2021	4,044
2022	4,044
2023	2,359
Total	$ 14,491

The lease expense for the year ended August 31, 2019 was $4,044.

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. 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov: 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 benefits are based on statutory provisions of the plan effective for fiscal year 2018. The annual standard annuity is based on the average of the five highest annual creditable salaries multiplied by the years of credited service multiplied by 2.3%. For members who are grandfathered, the three highest annual salaries are used in the benefit formula. 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.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. Contribution rates can be found in the TRS 2018 CAFR, Note 11, on page 76.

Contribution Rates

	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

District's 2018 Employer Contribution	$ 10,534
District's 2018 Member Contributions	$ 38,834
District's 2017 NECE On-Behalf Contributions	$ 24,715

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 source or a privately sponsored source.

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

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

Actuarial Assumptions. **Roll Forward** – A change was made in the measurement date of the total pension liability for the 2018 measurement year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using the roll forward procedures.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis an d recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

The following table discloses the assumptions that were applied to this measurement period:

Valuation date	August 31, 2017, Rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Asset Valuation Method	Market Value
Single Discount rate	6.907%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August, 2018	3.69% Source for the rate is the fixed income market data/yield curve data municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity's index's "20 Year Municipal GO AA Index"
Last Year Ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05%-9.05%, including inflation
Ad-hoc post employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2017 and adopted in July, 2018.

Discount Rate. The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2018 (see page 52 of the TRS CAFR) are summarized below:

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	5.7%	1.4%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.95%	0.8%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	0%	0.00%	0.0%
Hedge Funds (Stable Value)	4%	3.09%	0.12%
Cash	1%	-.03%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	.070%	0.02%

Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	.037%
Commodities	0%	0.00%	0.0%
Risk Parity			
Risk Parity	5%	3.7%	0.18%
Inflation Expectations			2.3%
Volatility Drag***			(.79%)
Total	100%		7.25%

* *Target Allocations are based on the FY 2016 policy model*
** *Capital market assumptions some from Aon Hewitt (2017 Q4)*
***The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns,*

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability. The discount rate can be found in the 2018 TRS CAFR, Note 11, page 78.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of net pension liability	$ 261,516	$ 173,277	$ 101,842

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2019, Walnut Bend Independent School District reported a liability of $173,277 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 proportinate share of the collective net pension liability	$ 173,277
State's proportionate share that is associated with the District	404,076
Total	$ 577,353

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 thru August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.0003148055% which was a decrease of -0.0000157292% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation - Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based

on the same experience study.

- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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

For the year ended August 31, 2019, Walnut Bend Independent School District recognized pension expense of $64,632 and revenue of $39,993 for support provided by the State in the Government-Wide Statement of Activities.

At August 31, 2019, 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:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experiences	$ 1,080	$ 4,252
Changes in actuarial assumptions	62,475	1,952
Differences between projected and actual investment earnings	-	3,288
Changes in proportion and differences between the employer's contribution and the proportionate share of contributions	19,241	8,399
Total as of August 31, 2018 measurement date	$ 82,796	$ 17,891
Contributions paid to TRS subsequent to the measurement date	10,534	-
Total as of fiscal year-end	$ 93,330	$ 17,891

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:

Year Ended August 31,	Pension Expense Amount
2020	$ 18,589
2021	11,668
2022	9,514
2023	9,225
2024	9,600
Thereafter	6,309

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 plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, chapter 1575.

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

Net OPEB Liability	Total
Total OPEB Liability	$ 50,729,490,103
Less: Plan Fiduciary Net Position	(798,574,633)
Net OPEB Liability	$ 49,930,915,470
Net Position as a percentage of Total OPEB Liability	1.57%

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

Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Medicare retirees and their dependents may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

The 85th Legislature, Regular Session, passed the following statutory changes in HB 3976 which became effective on September 1, 2017. These are described below under the section "Changes in Benefit Terms".

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018. (See the TRS CAFR page 70 for plan rates effective from September 1, 2016 - December 31, 2017.)

	TRS-Care Plan Premium Rates Effective Jan 1, 2018-Dec 31, 2018	
	Medicare	Non-Medicare
Retire 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 which is 0.75% of each active employee's pay for fiscal year 2018. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2018	2019
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%

District's 2019 Employer Contribution	$	3,946
District's 2019 Member Contributions		3,278
District's 2018 NECE On-Behalf Contributions		5,139

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

With Senate Bill 1, 85th Legislature, Regular Session, TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $182.6 million in fiscal year 2018. House Bill 30 of the 85th Legislature provided an additional $212 million in a one-time supplemental funding for the FY 2018-2019 biennium. One-time supplemental contributions during fiscal 2018 totaled $394.6 million.

Actual Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

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:

Valuation date	August 31, 2017, Rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single Discount rate	3.69% sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018
Aging Factors	Based on plan specific experience
Election Rates	Normal retirement: 70% participation prior to age 65 and 75% after age 65
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%
Ad-hoc post employment benefit changes	None

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

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

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

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27% in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 71. 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.

Sensitivity of the Net OPEB Liability:
Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the net OPEB liability	$ 310,504	$ 260,853	$ 221,575

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 on-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healtcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 216,642	$ 260,853	$ 319,079

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2019, the District reported a liability of $260,853 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:

District's proportinate share of the collective net OPEB liability	$ 260,853
State's proportionate share that is associated with the District	372,507
Total	$ 633,360

The Net OPEB Liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was 0.0005224271% which was an increase of 0.0000225243% from its proportion measured as of August 31, 2017.

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate changed from 3.42% as of August 31, 2017 to 3.69%, as of August 31, 2018. This change lowered the Total OPEB Liability $2.3 billion.

Changes In Benefit Terms. The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost of generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plana and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years or age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute $200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of $21,623 and revenue of $13,550 for support provided by the State.

At August 31, 2019, 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	$ 13,842	$ 4,117
Changes in actuarial assumptions	4,353	78,371
Differences between projected and actual investment earnings	46	-
Changes in proportion and differences between the employer's contribution and the proportionate share of contributions	12,345	-
Total as of August 31, 2018 measurement date	$ 30,586	$ 82,488
Contributions paid to TRS subsequent to the measurement date	3,946	-
Total as of fiscal year-end	$ 34,532	$ 82,488

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

Year Ended August 31,	Pension Expense Amount
2020	$ (8,731)
2021	(8,731)
2022	(8,731)
2023	(8,739)
2024	(8,744)
Thereafter	(8,226)

M. LONG-TERM DEBT

A summary of changes in long-term debt for the year ended August 31, 2019 is as follows:

	Balance 9/1/2018	Additions	Retirements	Balance 8/31/2019
Net Pension Liability	$ 105,687	$ 78,195	$ 10,605	$ 173,277
Net OPEB Liability	$ 217,389	$ 47,068	$ 3,604	$ 260,853

N. 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 413. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public-school contributions respectively. The contribution rate for the State was 1% for each of these three years. The contribution rate for the District was 0.55% for each of these three years. The contribution rate for active employees was 0.65% for the district payroll for each of the three years. Per Texas Insurance Code, Chapter 1575, the public-school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.0%.

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2019, 2018 and 2017 as follows:

	2019	2018	2017
District Contributions	$ 3,278	$ 2,848	$ 2,797
Federal Contributions	171	113	90
State Contributions	5,960	5,178	5,085
Employee Contributions	3,874	3,366	3,306

O. UNAVAILABLE/UNEARNED REVENUE

Unavailable revenue at year end consisted of the following:

	General Fund
Net Tax Revenue	$ 5,548

P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District had no construction commitments at August 31, 2019.

Q. RELATED ORGANIZATIONS

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

R. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events though November 29, 2019, the date which the financial statements were available for issue.

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REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT G-1

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 150,636	$ 173,274	$ 176,535	$ 3,261
5800	State Program Revenues	705,186	709,663	738,656	28,993
5020	Total Revenues	855,822	882,937	915,191	32,254
	EXPENDITURES:				
	Current:				
0011	Instruction	435,000	463,873	453,746	10,127
0012	Instructional Resources and Media Services	7,500	3,053	5,019	(1,966)
0013	Curriculum and Instructional Staff Development	2,000	1,000	760	240
0023	School Leadership	55,000	106,900	108,448	(1,548)
0031	Guidance, Counseling and Evaluation Services	-	1,329	1,329	-
0033	Health Services	-	900	858	42
0034	Student (Pupil) Transportation	37,000	40,800	36,399	4,401
0035	Food Services	-	-	2,298	(2,298)
0036	Extracurricular Activities	15,000	16,900	16,173	727
0041	General Administration	150,000	94,500	95,041	(541)
0051	Facilities Maintenance and Operations	97,000	107,350	90,952	16,398
0053	Data Processing Services	32,000	30,462	30,126	336
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	4,100	4,013	4,012	1
0099	Other Intergovernmental Charges	5,500	2,929	2,929	-
6030	Total Expenditures	840,100	874,009	848,090	25,919
1100	Excess of Revenues Over Expenditures	15,722	8,928	67,101	58,173
	OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	-	(7,447)	(16,749)	(9,302)
1200	Net Change in Fund Balances	15,722	1,481	50,352	48,871
0100	Fund Balance - September 1 (Beginning)	1,094,486	1,094,486	1,094,486	-
3000	Fund Balance - August 31 (Ending)	$ 1,110,208	$ 1,095,967	$ 1,144,838	$ 48,871

WALNUT BEND INDEPEDENT 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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.000314805%	0.000330535%	0.00032846%
District's Proportionate Share of Net Pension Liability (Asset)	$ 173,277	$ 105,687	$ 124,120
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	404,076	235,190	285,658
Total	$ 577,353	$ 340,877	$ 409,778
District's Covered Payroll	$ 438,420	$ 426,811	$ 419,374
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	39.52%	24.76%	29.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 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 2015.

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

	FY 2016 Plan Year 2015		FY 2015 Plan Year 2014
	0.0003699%		0.0002028%
$	130,755	$	54,171
	264,301		229,470
$	395,056	$	283,641
$	399,117	$	391,916
	32.76%		13.82%
	78.43%		83.25%

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2019	2018	2017
Contractually Required Contribution	$ 10,534	$ 10,603	$ 10,304
Contribution in Relation to the Contractually Required Contribution	(10,534)	(10,603)	(10,304)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 504,336	$ 438,420	$ 426,811
Contributions as a Percentage of Covered Payroll	2.09%	2.42%	2.41%

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

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

2016	2015
$ 10,437	$ 10,954
(10,437)	(10,954)
$ -	$ -
$ 419,374	$ 399,117
2.49%	2.74%

WALNUT BEND INDEPEDENT 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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.000522427%	0.000499903%
District's Proportionate Share of Net OPEB Liability (Asset)	$ 260,853	$ 217,389
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	372,507	334,185
Total	$ 633,360	$ 551,574
District's Covered Payroll	$ 438,420	$ 426,811
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	59.50%	50.93%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

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

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2019	2018
Contractually Required Contribution	$ 3,946	$ 3,607
Contribution in Relation to the Contractually Required Contribution	(3,946)	(3,607)
Contribution Deficiency (Excess)	$ -0-	$ -0-
District's Covered Payroll	$ 504,336	$ 438,420
Contributions as a Percentage of Covered Payroll	0.78%	0.82%

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.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2019

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.

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the net enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute $200 per month toward their health insurance premiums.

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:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate changed from 3.42% as of August 31, 2017 to 3.69%, as of August 31, 2018. This change lowered the Total OPEB Liability $2.3 billion.

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

- 2018 thresholds of $850/$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

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COMBINING STATEMENTS

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ 1,637
1240	Due from Other Governments	50	3,167	-	-
1410	Prepayments	-	1,050	-	-
1000	Total Assets	$ 50	$ 4,217	$ -	$ 1,637
	LIABILITIES				
2160	Accrued Wages Payable	$ -	$ 2,048	$ -	$ 1,508
2170	Due to Other Funds	50	2,124	-	-
2200	Accrued Expenditures	-	45	-	129
2000	Total Liabilities	50	4,217	-	1,637
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	$ 50	$ 4,217	$ -	$ 1,637

410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Governmental Funds
$ 97	$ 2,733	$ 4,467
23,679	-	26,896
-	-	1,050
$ 23,776	$ 2,733	$ 32,413
$ -	$ -	$ 3,556
-	-	2,174
-	-	174
-	-	5,904
23,776	-	23,776
-	2,733	2,733
23,776	2,733	26,509
$ 23,776	$ 2,733	$ 32,413

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income
REVENUES:				
5700 Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800 State Program Revenues	-	299	-	-
5900 Federal Program Revenues	13,554	56,291	2,790	16,396
5020 Total Revenues	13,554	56,590	2,790	16,396
EXPENDITURES:				
Current:				
0011 Instruction	13,554	-	2,790	16,396
0035 Food Services	-	73,339	-	-
6030 Total Expenditures	13,554	73,339	2,790	16,396
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(16,749)	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	16,749	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Governmental Funds
$ -	$ 2,874	$ 2,874
15,247	-	15,546
-	-	89,031
15,247	2,874	107,451
-	2,828	35,568
-	-	73,339
-	2,828	108,907
15,247	46	(1,456)
-	-	16,749
15,247	46	15,293
8,529	2,687	11,216
$ 23,776	$ 2,733	$ 26,509

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REQUIRED TEA SCHEDULES

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31		(1) Tax Rates	(2)	(3) Assessed/Appraised Value for School Tax Purposes
		Maintenance	Debt Service	
2010	and prior years	Various	Various	$ 150,227,272
2011		1.040000	0.000000	24,382,768
2012		1.040000	0.000000	25,325,838
2013		1.040000	0.000000	32,916,807
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	(School year under audit)	1.040000	0.000000	13,254,859
1000	TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
$ 7,272	$ -	$ 429	$ -	$ (1,713)	$ 5,130
1,488	-	153	-	(154)	1,181
1,455	-	238	-	(135)	1,082
1,159	-	247	-	(38)	874
904	-	146	-	(38)	720
1,024	-	242	-	(30)	752
1,263	-	791	-	151	623
1,874	-	1,769	-	150	255
4,571	-	3,762	-	(284)	525
-	137,851	134,290	-	(168)	3,393
$ 21,010	$ 137,851	$ 142,067	$ -	$ (2,259)	$ 14,535

EXHIBIT J-2

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2019

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	$ 5,331	$ -	$ -	$ -
5800	State Program Revenues	2,553	2,553	299	(2,254)
5900	Federal Program Revenues	54,000	58,500	56,291	(2,209)
5020	Total Revenues	61,884	61,053	56,590	(4,463)
	EXPENDITURES:				
	Current:				
0035	Food Services	77,500	68,500	73,339	(4,839)
6030	Total Expenditures	77,500	68,500	73,339	(4,839)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,616)	(7,447)	(16,749)	(9,302)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	15,616	7,447	16,749	9,302
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

COMPLIANCE

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SCHALK & SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

Thomas E. Schalk, CPA
Judy Smith, CPA
Cynthia Muñoz, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Walnut Bend Independent School District
47 CR 198
Gainesville, Texas 76240

Members of the Board:

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 (the District) as of and for the year ended August 31, 2019, 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 November 29, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Walnut Bend Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

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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.



Schalk & Smith, P.C.
Gainesville, Texas
November 29, 2019

SCHOOLS FIRST QUESTIONNAIRE

Walnut Bend Independent School District

Fiscal Year 2019

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	173277
SF13	Pension Expense (6147) at fiscal year-end.	