WALNUT BEND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2018

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WALNUT BEND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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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) X approved _____ disapproved for the year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the 22nd day of January, 2019.

Virginia McNairn
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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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, 2018 and the respective changes in financial position. For the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes I and III.L to the financial statements, in 2018, the District adopted new accounting guidance prescribed by GASB #75 for its other post-employment benefit (OPEB) plan—a multiple-employer, cost-sharing, defined benefit OPEB plan that has a special funding situation. Because GASB #75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-wide Statements. Exhibit A-1 discloses the District's Net OPEB Liability and some deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

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

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. 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 January 17, 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.
January 17, 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, 2018. Please read it in conjunction with the independent auditor's report on pages 2 and 3 and the District's Basic Financial Statements that begin on page 10.

FINANCIAL HIGHLIGHTS

- The District's combined net position increased by $86,793 during the fiscal year from the result of current year operations. However, total net position also decreased by $381,209 due to new standards that required recording of the District's proportionate share of the Teacher retirement systems net OPEB liability.
- During the year, the District had income of $795,278 and expenses in the amount of $708,485. This compares to last year when the income was $97,023 more than the expenses.
- The cost of all the District's programs was $704,485.
- The General Fund ended the year with a fund balance of $1,094,486.

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 17) 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 Compliance 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 $1,475,279, which represented an increase of $86,793 from current period operations and a decrease of $381,209 due to new standards that required recording of the District's proportionate share of the Teacher Retirement Systems net OPEB liability. 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 $715,706 at August 31, 2018.

Table I
NET POSITION

	Governmental Activities 2018	Governmental Activities 2017
Current and other assets	$ 1,173,450	$ 1,113,690
Capital assets	748,357	780,916
Total assets	1,921,807	1,894,606
Deferred outflows of resources	46,411	58,238
Long-term liabilities	323,076	124,120
Other liabilities	58,113	46,249
Total liabilities	381,189	170,369
Deferred inflows of resources	111,750	12,780
Net position		
Invested in capital assets net of related debt	748,357	780,916
Restricted	11,216	20,170
Unrestricted	715,706	968,609
Total net position	$ 1,475,279	$ 1,769,695

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 $748,357. 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 $11,216 (approximately 0.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($715,706) 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.

Governmental activities. The District's total net position increased by $86,793 as a result of current period operations and decreased by $381,209 due to the implementation of new standards that required recording of the District's proportionate share of net OPEB liability. The District recognized their proportionate share of net pension liability ($105,687) and net OPEB liability ($217,389). The total cost of all governmental activities was $708,485, which was $185,262 (20.7%) lower than the previous year.

Table II
Changes in Net Position

	Governmental Activities 2018	Governmental Activities 2017
Revenues:		
Program Revenues:		
Charges for Services	$ 14,070	$ 7,230
Operating grants and contributions	(24,689)	131,351
General Revenues		
Maintenance and operations taxes	130,654	115,792
Grants and Contributions not restricted to specific functions	663,301	629,218
Investment Earnings	11,942	5,352
Miscellaneous	-	101,827
Total Revenue	795,278	990,770
Expenses:		
Instruction, curriculum and media services	334,367	475,165
Instructional and school leadership	54,061	70,025
Student support services	56,642	44,659
Child nutrition	64,685	83,111
Co-curricular activities	6,801	6,049
General Administration	73,905	105,657
Plant maintenance, security & data processing	98,677	95,761
Payments to Fiscal Agent	16,513	10,430
Other Intergovernmental Charges	2,834	2,890
Total Expenses	708,485	893,747
Increase in net position	86,793	97,023
Net position at 9/1	1,769,695	1,672,672
Prior period adjustment	(381,209)	-
Net position at 8/31	$ 1,475,279	$ 1,769,695

- 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 $14,862. State funding increased by $34,083 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 $43,861 because some of the costs were paid by those who directly benefited from the programs ($14,070) or by other governments and organizations that subsidized certain programs with grants and contributions ($24,689) or by other miscellaneous sources and investment earnings ($11,942) or by State equalization funding ($663,301).

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 $1,105,702, which is higher than last year's total of $1,059,538. Unassigned fund balance represents a large portion of total fund balances ($1,094,486 or 98.9%) 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 ($11,216 or 1.1%) 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, 2018, the General Fund had unassigned fund balance of $1,094,486. As a measure of the General Fund's liquidity, it is useful to compare both fund balance amounts to total fund expenditures ($781,441). Unassigned fund balance and total fund balance represent 140% of total General Fund expenditures. The unassigned fund balance represents almost 16 months of annual General Fund expenditures.

Total General Fund fund balance increased by $55,119 during the fiscal year. Key factors related to this change include:

- Decreased expenses

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 2017). 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 2018, the District had $748,357 (net of depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The District capital purchases for the current fiscal year consisted of building improvements ($11,500). More detailed information about the District's capital assets is presented in Note III to the financial statements. The District had the following capital assets at August 31, 2018 and 2017:

	2018	2017
Land	$ 55,336	$ 55,336
Buildings and improvements, net	608,163	611,454
Furniture and equipment, net	84,858	114,126
Total	$ 748,357	$ 780,916

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 past legislative session, there does not appear to be much change in state funding for public education. While a committee is being formed to review this, natural disasters in the state

have taken precedence in any legislative action to be considered. Certainly, no changes will take place for at least two years when legislators return to Austin. Legislative talk focuses on major changes to school finance for the upcoming biennium. Exactly what these changes will be remains to be seen. State funding for public education has become a hot topic and it will be interesting to see what changes, if any, will take place this summer.

- The maintenance and operations rate was again set at $1.04 per $100 of valuation. This was made possible by slightly higher property taxes and a small increase in state funding based on our ADA.
- Facility expenditures could again be a factor during the 2018-2019 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 to our campus. Enrollment increased slightly this school year, and we are hopeful that improvements in the district will continue to attract additional students. Attendance is being monitored more 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 will 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

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

Data Control Codes		Primary Government: Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	$ 648,056
1120	Current Investments	455,127
1210	Property Taxes - Current	21,010
1230	Allowance for Uncollectible Taxes	(11,375)
1240	Due from Other Governments	42,774
1410	Prepayments	17,858
	Capital Assets:	
1510	Land	55,336
1520	Buildings, Net	515,404
1530	Furniture and Equipment, Net	84,858
1590	Infrastructure, Net	92,759
1000	Total Assets	1,921,807
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Related to TRS Pension	42,770
1706	Deferred Related to TRS OPEB	3,641
1700	Total Deferred Outflows of Resources	46,411
LIABILITIES		
2110	Accounts Payable	6,022
2150	Payroll Deductions and Withholdings	4,283
2160	Accrued Wages Payable	27,123
2180	Due to Other Governments	20,122
2200	Accrued Expenses	563
	Noncurrent Liabilities:	
2540	Net Pension Liability (District's Share)	105,687
2545	Net OPEB Liability (District's Share)	217,389
2000	Total Liabilities	381,189
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	20,816
2606	Deferred Inflow Related to TRS OPEB	90,934
2600	Total Deferred Inflows of Resources	111,750
NET POSITION		
3200	Net Investment in Capital Assets	748,357
3820	Restricted for Federal and State Programs	8,529
3870	Restricted for Campus Activities	2,687
3900	Unrestricted	715,706
3000	Total Net Position	$ 1,475,279

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, 2018

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	$ 326,800	$ 3,499	$ (55,841)	$ (379,142)
12	Instructional Resources and Media Services	4,748	-	(1,079)	(5,827)
13	Curriculum and Instructional Staff Development	2,819	-	600	(2,219)
23	School Leadership	54,061	-	(12,579)	(66,640)
34	Student (Pupil) Transportation	56,642	-	(4,137)	(60,779)
35	Food Services	64,685	75	60,703	(3,907)
36	Extracurricular Activities	6,801	-	(1,428)	(8,229)
41	General Administration	73,905	-	(6,828)	(80,733)
51	Facilities Maintenance and Operations	86,280	10,496	(3,813)	(79,597)
53	Data Processing Services	12,397	-	(287)	(12,684)
93	Payments Related to Shared Services Arrangements	16,513	-	-	(16,513)
99	Other Intergovernmental Charges	2,834	-	-	(2,834)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 708,485	$ 14,070	$ (24,689)	(719,104)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	130,654
GC	Grants and Contributions not Restricted	663,301
IE	Investment Earnings	11,942
TR	Total General Revenues	805,897
CN	Change in Net Position	86,793
NB	Net Position - Beginning	1,769,695
PA	Prior Period Adjustment	(381,209)
NE	Net Position--Ending	$ 1,475,279

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, 2018

Data Control Codes		10 General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 645,272	$ -	$ 2,784	$ 648,056
1120	Investments - Current	455,127	-	-	455,127
1210	Property Taxes - Current	21,010	-	-	21,010
1230	Allowance for Uncollectible Taxes	(11,375)	-	-	(11,375)
1240	Due from Other Governments	31,603	2,739	8,432	42,774
1260	Due from Other Funds	979	-	-	979
1410	Prepayments	17,678	180	-	17,858
1000	Total Assets	$ 1,160,294	$ 2,919	$ 11,216	$ 1,174,429
	LIABILITIES				
2110	Accounts Payable	$ 6,022	$ -	$ -	$ 6,022
2150	Payroll Deductions and Withholdings Payable	4,283	-	-	4,283
2160	Accrued Wages Payable	25,254	1,869	-	27,123
2170	Due to Other Funds	-	979	-	979
2180	Due to Other Governments	20,122	-	-	20,122
2200	Accrued Expenditures	492	71	-	563
2000	Total Liabilities	56,173	2,919	-	59,092
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	9,635	-	-	9,635
2600	Total Deferred Inflows of Resources	9,635	-	-	9,635
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	8,529	8,529
3490	Other Restricted Fund Balance	-	-	2,687	2,687
3600	Unassigned Fund Balance	1,094,486	-	-	1,094,486
3000	Total Fund Balances	1,094,486	-	11,216	1,105,702
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 1,160,294	$ 2,919	$ 11,216	$ 1,174,429

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, 2018

EXHIBIT C-2

	Total Fund Balances - Governmental Funds	$	1,105,702
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.		(828,579)
3	Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.		9,635
4	The District's proportionate share of the net pension liability required by GASB 68 in the amount of $105,687, a deferred resource inflow related to TRS in the amount of $12,780 and a deferred resource outflow related to TRS in the amount of $42,770. These entries amounted to a decrease in the net position in the amount of $(75,697).		(75,697)
5	The District's proportionate share of the net other post-employment benefit (OPEB) liability required by GASB 75 in the amount of $217,389, a deferred resource inflow related to TRS OPEB in the amount of $98,970 and a deferred resource outflow related to TRS OPEB in the amount of $3,641. This amounted to a decrease in the net position in the amount of ($312,718).		(312,718)
19	**Net Position of Governmental Activities**	$	1,475,279

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

EXHIBIT C-3

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

Data Control Codes		10 General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 148,760	$ 75	$ 6,099	$ 154,934
5800	State Program Revenues	696,177	290	-	696,467
5900	Federal Program Revenues	-	66,553	979	67,532
5020	Total Revenues	844,937	66,918	7,078	918,933
	EXPENDITURES:				
	Current:				
0011	Instruction	421,765	-	13,751	435,516
0012	Instructional Resources and Media Services	6,750	-	-	6,750
0013	Curriculum and Instructional Staff Development	2,219	-	600	2,819
0023	School Leadership	79,060	-	406	79,466
0034	Student (Pupil) Transportation	40,724	-	-	40,724
0035	Food Services	2,179	75,295	-	77,474
0036	Extracurricular Activities	8,737	-	1,276	10,013
0041	General Administration	89,427	-	-	89,427
0051	Facilities Maintenance and Operations	98,129	-	-	98,129
0053	Data Processing Services	13,104	-	-	13,104
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	16,513	-	-	16,513
0099	Other Intergovernmental Charges	2,834	-	-	2,834
6030	Total Expenditures	781,441	75,295	16,033	872,769
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	63,496	(8,377)	(8,955)	46,164
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	8,377	-	8,377
8911	Transfers Out (Use)	(8,377)	-	-	(8,377)
7080	Total Other Financing Sources (Uses)	(8,377)	8,377	-	-
1200	Net Change in Fund Balances	55,119	-	(8,955)	46,164
0100	Fund Balance - September 1 (Beginning)	1,039,367	-	20,171	1,059,538
3000	Fund Balance - August 31 (Ending)	$ 1,094,486	$ -	$ 11,216	$ 1,105,702

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, 2018

Total Net Change in Fund Balances - Governmental Funds	$	46,164
Current year capital asset additions are expenditures in the fund financial statements but shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.		11,500
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.		(44,059)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as a deferred resource of outflows. TRS contributions made after the measurement date of 8/31/2017 caused the change in the ending net position to increase in the amount of $10,603. 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 $10,304. 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 $5,370. The net result is a decrease in the change in net position.		(5,071)
The implementation of 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 $3,607. 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 $2,580. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by $75,500. The net result is an increase in the change in net position.		76,527
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.		1,732
Change in Net Position of Governmental Activities	$	86,793

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

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

	Private Purpose Trust Fund
ASSETS	
Cash and Cash Equivalents	$ 15,016
Total Assets	15,016
LIABILITIES	
Payable from Restricted Assets	15,016
Total Liabilities	15,016

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

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*** ("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. 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.
- The **Child Nutrition Fund** accounts for the activity related to child nutrition.

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 thewse items on hand aat 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, 2018, 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, 2018, 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 ($8,529) and campus activity funds ($2,687).
- **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, 2018, the District had no committed fund balances.
- **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, 2018, 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	$	42,770
Deferred Outflow Related to TRS OPEB		3,641
Total Deferred Outflows of Resources	$	46,411

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	$	20,816
Deferred Inflow Related to TRS OPEB		90,934
Total Deferred Inflows of Resources	$	111,750

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.

9. **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 2018, 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.

11. **Implementation of New Standard** – In the current fiscal year the District implemented a new standard. GASB Statement 75. *Accounting and Financial Reporting for Postemployment benefits other than Pensions* ("GASB 75") establishes accounting and financial reporting standards for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers through plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

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 Child Nutrition 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:

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There are no excess of expenditures over appropriations in the current year.

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, 2018, the District's bank balances totaled $537,809. 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, 2018, 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	$ 518,659	$ 518,659	$ -	$ -	n/a
Lone Star Investment Pool	144,413	144,413	-	-	n/a
Total	$ 663,072	$ 663,072	$ -	$ -	

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	$ 455,127	$ -	$ 455,127	$ -	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, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas 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. As of August 31, 2018, the District had no investments. and therefore, was not exposed to credit risk.

- *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. As of August 31, 2018, the District had no investments, and therefore, was not exposed to custodial credit risk.
- *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. As of August 31, 2018, the District had no investments, and therefore was not exposed to concentration of custodial credit risk.
- *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. At August 31, 2018, the District had no investments and therefore was not exposed to interest rate risk.
- *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, 2018 consisted of the following individual fund balances:

Due To General Fund From:	Amount	Purpose
Major Funds:		
Child Nutrition Fund	$ 979	Grant funds expended, not received at year-end

The interfund transfers for the year ended August 31, 2018 are as follows:

Transfers From General Fund To:	Amount	Reason
Major Special Revenue Fund:		
Child Nutrition Fund	$ 8,377	To supplement child nutrition activity

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2018 were as follows:

	Governmental Funds			
	General Fund	Major Special Revenue Fund	Other Funds	Total Receivables
Property Taxes	$ 21,010	$ -	$ -	$ 21,010
Less Allowance for Uncollectible	(11,375)	-	-	(11,375)
Other Governments	31,603	2,739	8,432	42,774
Other Funds	979	-	-	979
	$ 42,217	$ 2,739	$ 8,432	$ 53,388
Amounts Not Expected to be Collected During Subsequent Year (Included Above):				
Property Taxes	$ 19,010	$ -	$ -	$ 19,010

Payables at August 31, 2018 were as follows:

	Governmental Funds		Fiduciary Fund	
	General Fund	Major Special Revenue Fund	Scholarship Fund	Total Payables
Accounts Payable	$ 6,022	$ -	$ -	$ 6,022
Salaries and Benefits	30,029	1,940	-	31,969
Other Funds	-	979	-	979
Due to Other Governments	20,122	-	-	20,122
Other Payable	-	-	15,016	15,016
	$ 56,173	$ 2,919	$ 15,016	$ 74,108

F. CAPITAL ASSET ACTIVITY

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

Governmental Activities	Balance 9/1/2017	Increases	Reclassifications/ Reductions	Balance 8/31/2018
Capital Assets Not Being Depreciated:				
Land	$ 55,336	$ -	$ -	$ 55,336
Capital Assets Being Depreciated:				
Buildings & Improvements	1,080,716	11,500	-	1,092,216
Furniture & Equipment	294,038	-	-	294,038
Infrastructure	135,346	-	-	135,346
	1,510,100	11,500	-	1,521,600
Less Accumulated Depreciation				
Buildings & Improvements	564,726	12,086	-	576,812
Furniture & Equipment	179,912	29,268	-	209,180
Infrastructure	39,882	2,705	-	42,587
	784,520	44,059	-	828,579
Net Capital Assets Being Depreciated	725,580	(32,559)	-	693,021
Net Capital Assets	$ 780,916	$ (32,559)	$ -	$ 748,357

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 6,674
Student Transportation	24,880
Food Services	5,571
Plant Maintenance	6,934
Total Depreciation Expense	$ 44,059

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, 2018 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	Major Special Revenue	Nonmajor Revenue	Totals
Local Governments	$ -	$ -	$ -	$ -
State Entitlements	31,603	-	8,432	40,035
Federal Grants	-	2,739	-	2,739
Totals	$ 31,603	$ 2,739	$ 8,432	$ 42,774

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	Major Special Revenue	Nonmajor Funds	Totals
Property Taxes	$ 127,105	$ -	$ -	$ 127,105
Penalties and Interest On Property Taxes	1,816	-	-	1,816
Investment Income	11,906	-	36	11,942
Food Sales	-	75	-	75
Miscellaneous	7,933	-	6,063	13,996
	$ 148,760	$ 75	$ 6,099	$ 154,934

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, 2018 as follows:

Year Ended August 31,	Amount
2019	4,044
2020	4,044
2021	4,044
2022	4,044
2023	2,359
Total	$ 18,535

The lease expense for the year ended August 31, 2018 was $4,009.

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.state/tx.us/about/documents/cafr.pdf#CARF; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic 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 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. Contribution rates can be found in the TRS 2017 CAFR, Note 12, on page 88.

Contribution Rates

	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

District's 2018 Employer Contribution	$ 10,603
District's 2018 Member Contributions	$ 33,918
District's 2017 NECE On-Behalf Contributions	$ 24,057

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. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2017 TRS CAFR, Note 12, page 90.

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. The discount rate can be found in the 2017 TRS CAFR on page 90. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	.07%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	.09%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	100%		8.7%

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability. The discount rate can be found in the 2017 TRS CAFR, Note 12, page 91.

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
District's proportionate share of net pension liability	$ 178,168	$ 105,687	$ 45,335

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, Walnut Bend Independent School District reported a liability of $105,687 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	$ 105,687
State's proportionate share that is associated with the District	235,190
Total	$ 340,877

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

At August 31, 2017, the employer's proportion of the collective net pension liability was .0003305347% which was a increase of .0000020749% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, Walnut Bend Independent School District recognized pension expense of $33,613 and revenue of $17,939 for support provided by the State in the Government-Wide Statement of Activities.

At August 31, 2018, 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	$ 1,546	$ 5,700
Changes in actuarial assumptions	4,814	2,756
Differences between projected and actual investment earnings	-	7,703
Changes in proportion and differences between the employer's contribution and the proportionate share of contributions	25,807	4,657
Total as of August 31, 2017 measurement date	$ 32,167	$ 20,816
Contributions paid to TRS subsequent to the measurement date	10,603	-
Total as of fiscal year-end	$ 42,770	$ 20,816

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
2019	$ 2,136
2020	8,882
2021	1,617
2022	(617)
2023	(639)
Thereafter	(27)

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.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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

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

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care2 and TRS-Care3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAS.

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

	TRS-Care Plan Premium Rates Effective Sept. 1, 2016-Dec 31, 2017		
	TRS Care-1 Basic Plan	TRS Care-2 Optional Plan	TRS Care-3 Optional Plan
Retiree*	$ -	$ 70	$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only *or surviving spouse	28	62	82

Contributions. Contribution rates for the TRS-Care plan are established in the 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 1.0% 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 .075% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2017	2018
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private funding Remitted by Employers	1.00%	1.25%

District's 2018 Employer Contribution	$ 3,607
District's 2018 Member Contributions	2,845
District's 2017 NECE On-Behalf Contributions	3,995

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

TRS-Care received supplemental appropriations form the State of Texas as the Non-Employer Contributing Entity in the amount of $15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of $212 million in fiscal year 2018.

The District's proportionate share of the $212,000,000 received during the District's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actual Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: (Actuarial assumptions can be found in the 2017 TRS CAFR, Note 10, page 82.)

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

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

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

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

Additional actuarial methods and assumptions:

Valuation date	Aaugust 31, 2017
Actuarial cost method	Individual entry age normal
Inflation	2.50%
Discount rate	3.5% - 9.5%
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Payroll growth rate	2.50%
Projected salary increases	3.5%-9.5%
Healthcare trend rates	4.5%-12.00%
Election rates	Normal retirement : 70% participation prior to age 65 and 75% participation after age 65
Ad-hoc post employment bnefit changes	None

Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44% in the discount rate since the previous year. The discount rate can be found in the 2017 TRS CAFR on page 83. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

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

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.24%)
District's proportionate share of the net OPEB liability	$ 256,573	$ 217,389	$ 185,894

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	$ 180,998	$ 217,389	$ 265,138

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of $217,389 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 proportionate share of the collective net OPEB liability	$ 217,389
State's proportionate share that is associated with the District	334,185
Total	$ 551,574

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

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0004999028% . Since this is the first year of implementation, the district does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

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

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

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

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

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

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

There was no change of benefit terms that affected measurement of the total OPEB liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of ($184,747) and revenue of ($111,827) for support provided by the State.

At August 31, 2018, 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	$ -	$ 4,538
Changes in actuarial assumptions	-	86,396
Differences between projected and actual investment earnings	33	-
Changes in proportion and differences between the employer's contribution and the proportionate share of contributions	1	-
Total as of August 31, 2017 measurement date	$ 34	$ 90,934
Contributions paid to TRS subsequent to the measurement date	3,607	-
Total as of fiscal year-end	$ 3,641	$ 90,934

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
2019	$ (11,994)
2020	(11,995)
2021	(11,995)
2022	(11,995)
2023	(12,003)
Thereafter	(30,920)

M. LONG-TERM DEBT

A summary of changes in long-term debt for the year ended August 31, 2018 is as follows:

	Balance 9/1/2017	Additions	Retirements	Balance 8/31/2018
Net Pension Liability	$ 124,120	$ (7,600)	$ 10,833	$ 105,687
Net OPEB Liability	$ 383,789	$ (163,801)	$ 2,599	$ 217,389

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.

O. UNAVAILABLE/UNEARNED REVENUE

Unavailable revenue at year end consisted of the following:

	General Fund
Net Tax Revenue	$ 9,635

P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District had no construction commitments at August 31, 2018.

Q. RELATED ORGANIZATIONS

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

R. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS-STATEMENT OF ACTIVITIES

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

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-Care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities (Exhibit B-1). According to guidance provided directly from GASB, this is correct reporting.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants & Contributions Statement of Activities	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding On-Behalf accruals)
11 Instruction	$ (55,841)	$ (677,975)	$ 622,134
12 Instructional Resources and Media Services	(1,079)	(1,304)	225
13 Curriculum Development and Instructional Staff Development	600	-	600
23 School Leadership	(12,579)	(15,200)	2,621
34 Student (Pupil) Transportation	(4,137)	(4,999)	862
35 Food Services	60,703	(7,419)	68,122
36 Extracurricular Activities	(1,428)	(1,726)	298
41 General Administration	(6,828)	(8,250)	1,422
51 Facilities Maintenance and Operations	(3,813)	(4,607)	794
53 Data Processing Expense	(287)	(347)	60
	$ (24,689)	$ (721,827)	$ 697,138

S. PRIOR PERIOD ADJUSTMENT

During the fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled ($381,209) which resulted in a restated beginning net position balance of $1,388,486.

T. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events though January 17, 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, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 134,183	$ 143,464	$ 148,760	$ 5,296
5800	State Program Revenues	680,926	695,937	696,177	240
5020	Total Revenues	815,109	839,401	844,937	5,536
	EXPENDITURES:				
	Current:				
0011	Instruction	404,733	435,000	421,765	13,235
0012	Instructional Resources and Media Services	7,385	7,500	6,750	750
0013	Curriculum and Instructional Staff Development	1,800	600	2,219	(1,619)
0023	School Leadership	66,807	85,000	79,060	5,940
0034	Student (Pupil) Transportation	35,284	40,500	40,724	(224)
0035	Food Services	-	-	2,179	(2,179)
0036	Extracurricular Activities	11,930	10,000	8,737	1,263
0041	General Administration	114,279	104,979	89,427	15,552
0051	Facilities Maintenance and Operations	143,077	85,000	98,129	(13,129)
0053	Data Processing Services	7,293	12,905	13,104	(199)
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	17,021	19,200	16,513	2,687
0099	Other Intergovernmental Charges	5,500	3,000	2,834	166
6030	Total Expenditures	815,109	803,684	781,441	22,243
1100	Excess of Revenues Over Expenditures	-	35,717	63,496	27,779
	OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	-	(10,901)	(8,377)	2,524
1200	Net Change in Fund Balances	-	24,816	55,119	30,303
0100	Fund Balance - September 1 (Beginning)	1,039,367	1,039,367	1,039,367	-
3000	Fund Balance - August 31 (Ending)	$ 1,039,367	$ 1,064,183	$ 1,094,486	$ 30,303

EXHIBIT G-2

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, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.000330535%	0.00032846%	0.0003699%	0.0002028%
District's Proportionate Share of Net Pension Liability (Asset)	$ 105,687	$ 124,120	$ 130,755	$ 54,171
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	235,190	285,658	264,301	229,470
Total	$ 340,877	$ 409,778	$ 395,056	$ 283,641
District's Covered Payroll	$ 426,811	$ 419,374	$ 399,117	$ 391,916
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	24.76%	29.60%	32.76%	13.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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

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

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

	2018	2017	2016	2015
Contractually Required Contribution	$ 10,603	$ 10,304	$ 10,437	$ 10,954
Contribution in Relation to the Contractually Required Contribution	(10,603)	(10,304)	(10,437)	(10,954)
Contribution Deficiency (Excess)	$ -0-	$ -0-	$ -0-	$ -0-
District's Covered Payroll	$ 438,420	$ 426,811	$ 419,374	$ 399,117
Contributions as a Percentage of Covered Payroll	2.42%	2.41%	2.49%	2.74%

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

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

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, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.000499903%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	$ 217,389
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	334,185
Total	$ 551,574
District's Covered Payroll	$ 426,811
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	50.93%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

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

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

EXHIBIT G-5

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

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

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

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

Changes in Assumptions.

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

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

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

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

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

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

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COMBINING STATEMENTS

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ 97
1240	Due from Other Governments	-	-	-	8,432
1000	Total Assets	$ -	$ -	$ -	$ 8,529
	FUND BALANCES				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	8,529
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	8,529
4000	Total Liabilities and Fund Balances	$ -	$ -	$ -	$ 8,529

429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
$ -	$ 2,687	$ 2,784
-	-	8,432
$ -	$ 2,687	$ 11,216
-	-	8,529
-	2,687	2,687
-	2,687	11,216
$ -	$ 2,687	$ 11,216

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5900	Federal Program Revenues	-	885	94	-
5020	Total Revenues	-	885	94	-
	EXPENDITURES:				
	Current:				
0011	Instruction	-	285	94	10,339
0013	Curriculum and Instructional Staff Development	-	600	-	-
0023	School Leadership	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
6030	Total Expenditures	-	885	94	10,339
1200	Net Change in Fund Balance	-	-	-	(10,339)
0100	Fund Balance - September 1 (Beginning)	-	-	-	18,868
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ 8,529

429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
$ -	$ 6,099	$ 6,099
-	-	979
-	6,099	7,078
-	3,033	13,751
-	-	600
-	406	406
-	1,276	1,276
-	4,715	16,033
-	1,384	(8,955)
-	1,303	20,171
$ -	$ 2,687	$ 11,216

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REQUIRED TEA SCHEDULES

WALNUT BEND INDEPEDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1) Tax Rates	(2)	(3) Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	$ 122,524,782
2010	1.040000	0.000000	27,702,490
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. (School year under audit)	1.040000	0.000000	12,495,515
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
$ 7,106	$ -	$ -	$ -	$ (1,344)	$ 5,762
1,605	-	95	-	-	1,510
1,579	-	91	-	-	1,488
1,467	-	12	-	-	1,455
1,223	-	64	-	-	1,159
962	-	58	-	-	904
1,643	-	601	-	(18)	1,024
1,468	-	191	-	(14)	1,263
2,609	-	358	-	(377)	1,874
-	129,953	125,433	-	51	4,571
$ 19,662	$ 129,953	$ 126,903	$ -	$ (1,702)	$ 21,010

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, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 5,331	$ 5,331	$ 75	$ (5,256)
5800	State Program Revenues	2,553	2,553	290	(2,263)
5900	Federal Program Revenues	54,000	67,215	66,553	(662)
5020	Total Revenues	61,884	75,099	66,918	(8,181)
	EXPENDITURES:				
0035	Food Services	76,884	86,000	75,295	10,705
6030	Total Expenditures	76,884	86,000	75,295	10,705
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,000)	(10,901)	(8,377)	2,524
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	15,000	10,901	8,377	(2,524)
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, 2018, and the related notes to the financial statements, which collectively comprise the Walnut Bend Independent School District's basic financial statements, and have issued our report thereon dated January 17, 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.
January 17, 2019

SCHOOLS FIRST QUESTIONNAIRE

Walnut Bend Indepedent School District — Fiscal Year 2018

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	12780
SF13	Pension Expense (6147) at fiscal year-end.	