

**WALNUT BEND INDEPENDENT
SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2013**

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WALNUT BEND INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

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CERTIFICATE OF BOARD

Walnut Bend Independent School District Cooke 049908
Name of School District County Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ✓ approved _____ disapproved for the year ended August 31, 2013 at a meeting of the Board of Trustees of such school district on the 14th day of January, 2014.

Virginia Mc Nair
Signature of Board Secretary

Paul L.
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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INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Walnut Bend Independent School District (the District) as of and for the year ended August 31, 2013, 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. 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 entity'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 entity'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 Walnut Bend Independent School District, as of August 31, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 31 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 Walnut Bend Independent School District's basic financial statements. The combining nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3.

The combining nonmajor fund financial statements and the required TEA 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, 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.



Schalk & Smith, P.C.
December 30, 2013

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, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2013. Please read it in conjunction with, the independent auditor's report on page 2 & 3 and the District's Basic Financial Statements that begin on page 10.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$1,721,084 at August 31, 2013.
- The District's net position increased by \$90,170 or 5.53 percent.
- The general fund reported a fund balance of \$938,906.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Walnut Bend Independent School District's basic financial statements. The Walnut Bend Independent School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Walnut Bend Independent School District finances, in a manner similar to a private-sector business. The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities.

The *statement of net position* presents information on all of the Walnut Bend Independent School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Walnut Bend Independent School District is improving or deteriorating. All the District's assets are reported whether they serve the current year or future years.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 for various programs (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). Liabilities are considered regardless of whether they must be paid in the current or future years.

Both of the government-wide financial statements distinguish functions of the Walnut Bend Independent School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of

the Walnut Bend Independent School District include instruction, instructional resources & media services, guidance, counseling and evaluation services, health services, student transportation, food services, co-curricular/extracurricular activities, general administration, plant maintenance and operations, data processing services, debt service, and payments to fiscal agents. The District has no business-type activities.

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 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). Generally, a district would have two kinds of funds—governmental and proprietary—using different accounting approaches.

- **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.

- **Proprietary funds**—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The District had no proprietary funds during the current year's audit.

The District's fiduciary responsibilities. The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported on the Statement of Fiduciary Net Position on pages 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.

Notes to the financial statements. The notes to 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 Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

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 exceeded liabilities by \$1,721,084 representing an increase of \$90,170 over the prior year net position of \$1,630,914. 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 – is \$593,597 at August 31, 2013.

Investment in capital assets (e.g., land, buildings, furniture, and equipment) is \$762,821. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. The balance of unrestricted net position (\$593,597) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term commitments* that are less than currently available resources. The District's total revenues increased by approximately 8.05 percent (\$65,229). The total cost of all programs and services was \$785,559 which was approximately 0.35 percent (\$2,718) more than the previous year.

Table I
Walnut Bend Independent School District
Net Position

	Governmental Activities 2013	Governmental Activities 2012
Current and other assets	\$ 1,013,235	\$ 988,146
Capital assets	762,821	697,166
Total assets	1,776,056	1,685,312
Long-term liabilities	-	-
Other liabilities	54,972	54,398
Total liabilities	54,972	54,398
Net Position		
Invested in capital assets net of related debt	762,821	697,166
Restricted	364,666	363,631
Unrestricted	593,597	570,117
Total Net Position	\$ 1,721,084	\$ 1,630,914

Table II
Walnut Bend Independent School District
Change in Net Position

	Governmental Activities 2013	Governmental Activities 2012
Revenues:		
Program Revenues:		
Charges for Services	\$ 41,918	\$ 27,408
Operating grants and contributions	85,580	101,773
General Revenues		
Maintenance and operations taxes	342,746	263,712
Grants and Contributions not restricted to specific functions	399,233	435,556
Investment Earnings	4,692	4,536
Miscellaneous	1,560	(22,485)
Total Revenue	<u>875,729</u>	<u>810,500</u>
Expenses:		
Instruction, curriculum and media services	401,626	378,344
School leadership	59,828	53,474
Student support services	39,352	43,594
Child nutrition	86,507	90,284
Co-curricular activities	17,929	13,237
General Administration	68,623	81,891
Plant maintenance, security & data processing	93,317	104,208
Payments to Fiscal Agent	13,468	13,114
Other Intergovernmental Charges	4,909	4,695
Total Expenses	<u>785,559</u>	<u>782,841</u>
Increase in net position	90,170	27,659
Net position at 9/1	<u>1,630,914</u>	<u>1,603,255</u>
Net position at 8/31	\$ <u>1,721,084</u>	\$ <u>1,630,914</u>

The District took actions this year to compensate for some increases in cost and to avoid the loss of state revenue due to various unfunded mandates related to various programs.

- The District maintained property tax rates of \$1.04 per \$100 of valuation. An increase in the total assessed valuation increased the District's tax revenues by \$79,034 in 2013. Based on an increase in the total assessed valuation and no changes in the property tax rate, property tax revenues are budgeted to increase by a nominal amount next year.
- The District continued a policy of strict cost controls and initiatives to reduce unnecessary

expenses. However, increases in the areas of instruction, curriculum and media services, school leadership, co-curricular activities, payments to fiscal agent and other intergovernmental charges which were offset by decreases in student support services, child nutrition, general administration, plant maintenance, security and data processing caused a slight overall increase of \$2,718 from the prior year's total expenses.

The cost of all governmental activities this year was \$785,559. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$252,576 because some of the costs were paid by those who directly benefited from the programs (\$41,918) or by other governments and organizations that subsidized certain programs with grants and contributions (\$85,580) or by State equalization funding (\$399,233) or by investment earnings (\$4,692) or by miscellaneous revenues (\$1,560).

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 \$942,672, which is above last year's total of \$923,150. Included in this year's total change in fund balance is an increase of \$18,486 in the District's General Fund. The primary factor contributing to the increase was an increase in total revenues.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two 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 2012). 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 District's General Fund balance of \$938,906 reported on page 12 differs from the General Fund's budgetary fund balance of \$932,463 reported in the budgetary comparison schedule on page 31. This is principally due to expenses were higher than the budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had \$762,821 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The District's major capital asset purchase for the year was a new bus (\$86,608). More detailed information about the District's capital assets is presented in Note IV-F to the financial statements.

Debt

At year-end, the District had no bonds or notes outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected officials considered many factors when setting the fiscal year 2013-14 budget and tax rates. Some of these factors include a considerable increase in taxable property values that allowed the District to maintain the tax rate at \$1.04 per \$100 of valuation. Budgeted expenditures are expected to increase slightly for instruction and decrease significantly for transportation and food services.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase modestly by the close of 2014. More importantly, however, this will have been accomplished in spite of unfunded mandates.

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 ISD
STATEMENT OF NET POSITION
AUGUST 31, 2013

EXHIBIT A-1

Data Control Codes		Primary Government	
		Governmental Activities	
ASSETS			
1110	Cash and Cash Equivalents	\$	728,952
1120	Current Investments		250,000
1210	Property Taxes - Current		29,501
1230	Allowance for Uncollectible Taxes		(13,910)
1240	Due from Other Governments		13,014
1290	Other Receivables, net		159
1410	Prepayments		5,519
Capital Assets:			
1510	Land		55,336
1520	Buildings, Net		459,516
1530	Furniture and Equipment, Net		141,676
1590	Infrastructure, Net		106,293
1000	Total Assets		1,776,056
LIABILITIES			
2110	Accounts Payable		2,465
2160	Accrued Wages Payable		18,228
2180	Due to Other Governments		33,750
2200	Accrued Expenses		529
2000	Total Liabilities		54,972
NET POSITION			
3200	Net Investment in Capital Assets		762,821
3820	Restricted for Federal and State Programs		312
3860	Restricted for Capital Projects		360,900
3890	Restricted for Other Purposes		3,454
3900	Unrestricted		593,597
3000	Total Net Position	\$	1,721,084

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

WALNUT BEND ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	
	Expenses			6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 392,930	\$ -	\$ 28,997	\$ (363,933)
12 Instructional Resources and Media Services	6,254	-	285	(5,969)
13 Curriculum and Staff Development	2,442	-	2,229	(213)
23 School Leadership	59,828	-	3,043	(56,785)
34 Student (Pupil) Transportation	39,352	-	1,134	(38,218)
35 Food Services	86,507	9,146	47,273	(30,088)
36 Extracurricular Activities	17,929	-	553	(17,376)
41 General Administration	68,623	-	1,026	(67,597)
51 Facilities Maintenance and Operations	88,303	32,772	1,040	(54,491)
53 Data Processing Services	5,014	-	-	(5,014)
93 Payments related to Shared Services Arrangements	13,468	-	-	(13,468)
99 Other Intergovernmental Charges	4,909	-	-	(4,909)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 785,559</u>	<u>\$ 41,918</u>	<u>\$ 85,580</u>	<u>(658,061)</u>

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	342,746
GC	Grants and Contributions not Restricted	399,233
IE	Investment Earnings	4,692
MI	Miscellaneous Local and Intermediate Revenue	1,560
TR	Total General Revenues	<u>748,231</u>
CN	Change in Net Position	90,170
NB	Net Position - Beginning	<u>1,630,914</u>
NE	Net Position--Ending	<u>\$ 1,721,084</u>

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

WALNUT BEND ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 725,036	\$ 3,916	\$ 728,952
1120 Investments - Current	250,000	-	250,000
1210 Property Taxes - Current	29,501	-	29,501
1230 Allowance for Uncollectible Taxes (Credit)	(13,910)	-	(13,910)
1240 Receivables from Other Governments	10,393	2,621	13,014
1260 Due from Other Funds	847	-	847
1290 Other Receivables	159	-	159
1410 Prepayments	5,019	500	5,519
1000 Total Assets	<u>\$ 1,007,045</u>	<u>\$ 7,037</u>	<u>\$ 1,014,082</u>
LIABILITIES			
2110 Accounts Payable	\$ 2,184	\$ 281	\$ 2,465
2160 Accrued Wages Payable	16,159	2,069	18,228
2170 Due to Other Funds	-	847	847
2180 Due to Other Governments	33,750	-	33,750
2200 Accrued Expenditures	455	74	529
2000 Total Liabilities	<u>52,548</u>	<u>3,271</u>	<u>55,819</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	15,591	-	15,591
2600 Total Deferred Inflows of Resources	<u>15,591</u>	<u>-</u>	<u>15,591</u>
FUND BALANCES			
Committed Fund Balance:			
3510 Construction	360,900	-	360,900
3600 Unassigned Fund Balance	578,006	3,766	581,772
3000 Total Fund Balances	<u>938,906</u>	<u>3,766</u>	<u>942,672</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,007,045</u>	<u>\$ 7,037</u>	<u>\$ 1,014,082</u>

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

WALNUT BEND ISD
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2013

Total Fund Balances - Governmental Funds	\$ 942,672
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$1,404,513 and the accumulated depreciation was \$707,347. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position.	697,166
2 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2013 capital outlays is to increase (decrease) net position.	88,608
3 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(22,953)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	15,591
19 Net Position of Governmental Activities	\$ 1,721,084

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

WALNUT BEND ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		10 General Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 369,697	\$ 16,226	\$ 385,923
5800	State Program Revenues	419,703	568	420,271
5900	Federal Program Revenues	-	64,542	64,542
5020	Total Revenues	<u>789,400</u>	<u>81,336</u>	<u>870,736</u>
EXPENDITURES:				
Current:				
0011	Instruction	369,914	16,456	386,370
0012	Instructional Resources and Media Services	6,254	-	6,254
0013	Curriculum and Instructional Staff Development	213	2,229	2,442
0023	School Leadership	59,828	-	59,828
0034	Student (Pupil) Transportation	123,426	-	123,426
0035	Food Services	219	79,836	80,055
0036	Extracurricular Activities	12,632	5,297	17,929
0041	General Administration	68,623	-	68,623
0051	Facilities Maintenance and Operations	82,896	-	82,896
0053	Data Processing Services	5,014	-	5,014
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	13,468	-	13,468
0099	Other Intergovernmental Charges	4,909	-	4,909
6030	Total Expenditures	<u>747,396</u>	<u>103,818</u>	<u>851,214</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>42,004</u>	<u>(22,482)</u>	<u>19,522</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	23,518	23,518
8911	Transfers Out (Use)	(23,518)	-	(23,518)
7080	Total Other Financing Sources (Uses)	<u>(23,518)</u>	<u>23,518</u>	<u>-</u>
1200	Net Change in Fund Balances	18,486	1,036	19,522
0100	Fund Balance - September 1 (Beginning)	<u>920,420</u>	<u>2,730</u>	<u>923,150</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 938,906</u>	<u>\$ 3,766</u>	<u>\$ 942,672</u>

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

WALNUT BEND ISD
 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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ 19,522
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2013 capital outlays is to increase net position.	88,608
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(22,953)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	4,993
Change in Net Position of Governmental Activities	<u>\$ 90,170</u>

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

WALNUT BEND ISD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2013

EXHIBIT E-1

	Private Purpose Trust Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 13,813
Total Assets	<u>\$ 13,813</u>
LIABILITIES	
Payable from Restricted Assets	\$ 13,813
Total Liabilities	<u>\$ 13,813</u>

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

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

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 *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

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*, as amended by GASB 39 *Determining Whether Certain Organizations are Component Units* and GASB 61 *The Financial Reporting Entity: Omnibus*. 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 includes 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 of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and 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 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 three fund categories: governmental, proprietary, 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, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

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 (GASB 2300.106a(5) and 1600.108), 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 actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred 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.

The Fiduciary Funds are accounted for on a flow of *economic resources measurement focus* and utilize the *accrual basis of accounting*. With this measurement focus, all assets and all liabilities associated with the operating of these funds are included on the fund Statement of Net Position. The total net position is segregated into: 1) invested in capital assets net of related debt, 2) restricted, and 3) unrestricted. This basis of accounting recognized revenues in the accounting period in which they are earned and become measurable and expenses in the period in which they are incurred and become measurable.

D. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expense. 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. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government and food service.

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.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

Fiduciary Funds:

- The **Private Purpose Trust Fund** is used to account for donations for scholarship monies. These are donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District.

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 these items on hand at any given date being deemed immaterial.
3. **Compensated absences** – It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. At August 31, 2013, the District had no material liability for accrued personal sick 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	7
Office Equipment	5
Computer Equipment	5

The District has no restrictions on capital assets.

5. **Fund equity** – The School has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:
 - **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.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

- **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.
- **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.
- **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.
- **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. **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.
8. 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 2013, 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.
9. **Adoption of New Accounting Standards**
The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and related disclosures. Deferred outflows of resources are defined as a consumption of Net Position by a government that is applicable to a future reporting period and deferred inflows of resources are defined as an acquisition of Net Position by a government that is applicable to a future reporting period. Net position is defined as the residual of all other elements presented in statement of financial position, being measured as the difference between (a) assets and deferred outflows or resources and (b) liabilities and deferred inflows of resources.

The District also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in the current year. This statement establishes accounting and financial reporting that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows or resource and deferred inflows or resources, such as changes in the determination of the major fund calculations and limiting the use of the term “deferred” in financial statement presentations.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

As a result of the adoption of these new accounting standards, no restatements to the balances for the government-wide financial statements as of August 31, 2013 were required.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the Net Position for governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Accumulated</u>	<u>Net Value</u>	<u>Change in</u>	
	<u>Historic Cost</u>	<u>Depreciation</u>	<u>9/1/2012</u>	<u>Net Position</u>
Land	\$ 55,336	\$ -	\$ 55,336	
Buildings & Improvements	980,893	512,091	468,802	
Vehicles & Equipment	232,938	168,910	64,028	
Infrastructure	135,346	26,346	109,000	
	<u>\$ 1,404,513</u>	<u>\$ 707,347</u>	<u>\$ 697,166</u>	\$ 697,166

<u>Long-term Liabilities at the Beginning of the Year:</u>	<u>Payable</u>	
	<u>9/1/2012</u>	
Long-term Liabilities	\$ -	-
Net Adjustment to Net Position		<u>\$ 697,166</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibits C-2 and C-4 provide reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to</u>	<u>Adjustments to</u>
		<u>Net Position</u>	<u>Changes in</u>
			<u>Net Position</u>
<u>Current Year Capital Outlay</u>			
Total Capital Outlay	<u>\$ 88,068</u>	<u>\$ 88,068</u>	<u>\$ 88,068</u>
Total Adjustment to Net Position		<u>\$ 88,068</u>	<u>\$ 88,068</u>

Other elements of the reconciliation on Exhibits C-2 and C-4 are described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

	Amount	Adjustments to Net Position	Adjustments to Changes in Net Position
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 2,094		\$ (2,094)
Uncollected Taxes (Assumed Collectible)			
from Current Year Levy	7,087	\$ 7,087	7,087
Uncollected Taxes (Assumed Collectible)			
from Prior Year Levy	8,504	8,504	-
		<u>\$ 15,591</u>	<u>\$ 4,993</u>
Total Adjustment to Net Position			

III.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board adopts an "appropriated budget" on a basis consistent for GAAP for the General Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted original and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for each of these funds. The General Fund Budget report appears in Exhibit G-1 and the other report is in Exhibit J-3.

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, The significant adjustments were as follows:

	<u>Amendment</u>
New Bus	\$ 88,608

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:

	<u>Fund Balance</u>
Nonappropriated Budget Funds	
State Textbook Fund	\$ 312
Campus Activity Funds	3,454

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following governmental function had an excess of expenditures over appropriations in the current fiscal year:

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

	<u>Excess</u>
Instruction	\$ 8,501

C. DEFICIT FUND EQUITY

There are no deficit fund balances in the current year.

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a depository contract, contents of which are set out in the *Depository Contract Law*. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits

At August 31, 2013, the carrying amount of the District's cash and cash equivalents (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$992,765 and the bank balance was \$751,352. The District's cash deposits at August 31, 2013 were entirely covered by FDIC insurance and by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of the highest deposit:

	Prosperity Bank	Nascoga Federal Credit Union
Depository:		
Highest combined balances of cash, savings, and time deposits	\$ 757,791	\$ 250,000
Market value of securities pledged as of the date of the highest combined cash balance	1,375,888	-
Amount of FDIC coverage at time of highest combined balances	250,000	250,000
The District was underpledged	-0- days	-0- days

District Policies and Legal and Contractual Provisions Governing 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. The district was in compliance with this law at year end and therefore had no custodial credit risk for deposits.

Foreign Currency Risk The District does not make investments that have foreign currency risk.

District Policies and Legal and Contractual Provisions Governing Investments
Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. Walnut Bend Independent School District is in compliance with the requirements of the Act and with local policies.

At August 31, 2013, the District had a certificate of deposit in the amount of \$250,000.

Additional policies and contractual provisions governing deposits and investments for Walnut Bend Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investments will not fulfill its obligations the District limits investments in: obligations of the United States 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; and 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 and obligations of state, agencies, counties, cities, and other political subdivision of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. Additionally, the District authorized investments in: certificates of deposit; fully collateralized repurchase agreements; certain securities lending programs; certain bankers acceptances; certain commercial paper; certain no-load market mutual funds; certain no-load mutual funds; guaranteed investment contracts; and public funds investment pools.

Custodial Credit Risk for Investments To limit the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District require counterparties to register the securities in the name of the District and had them over to the district or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

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 issuer.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires any internally created pool fund group to have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

Foreign Currency Risk for Investments The District does not make investments that have foreign currency risk.

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.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

Property taxes receivable at year-end was as follows:

Property Taxes Receivable	\$ 29,501
Allowance for Uncollectible Amounts	<u>(13,910)</u>
Net Property Taxes Receivable	<u>\$ 15,591</u>

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are 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.

C. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2013 consisted of the following individual fund balances:

<u>Due To General Fund From:</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Funds:		
ESEA II, Part A Training & Recruiting	\$ 847	Grant funds expended, not received at year-end

Interfund transfers at August 31, 2013 consisted of the following:

<u>Transfers From General Fund To:</u>	<u>Amount</u>	<u>Reason</u>
Nonmajor Funds:		
National Lunch Program	\$ 23,518	To supplement food service expenditures

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2013 were as follows:

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Funds</u>	<u>Receivables</u>
Property Taxes	\$ 29,501	\$ -	\$ 29,501
Less Allowance for Uncollectible	(13,910)	-	(13,910)
Other Governments	10,393	2,621	13,014
Other Funds	847	-	847
Other Receivables	159	-	159
	<u>\$ 26,990</u>	<u>\$ 2,621</u>	<u>\$ 29,611</u>

Amounts Not Expected to be Collected During Subsequent Year (Included Above):

Property Taxes	<u>\$ 27,501</u>	<u>\$ -</u>	<u>\$ 27,501</u>
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WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

Payables at August 31, 2013 were as follows:

	Governmental Funds		Fiduciary Fund	Total
	General Fund	Nonmajor Funds	Trust Fund	Payables
Accounts Payable	\$ 2,184	\$ 281	\$ -	\$ 2,465
Salaries & Employee Benefits	16,614	2,143	-	18,757
Other Funds	-	847	-	847
Due to State	33,750	-	-	33,750
Other Payable	-	-	13,813	13,813
	<u>\$ 52,548</u>	<u>\$ 3,271</u>	<u>\$ 13,813</u>	<u>\$ 69,632</u>

E. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2013, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as *Due from Other Governments*.

	General Fund	Nonmajor Funds	Totals
State Entitlements	\$ 10,393	\$ -	\$ 10,393
Federal Grants	-	2,621	2,621
Totals	<u>\$ 10,393</u>	<u>\$ 2,621</u>	<u>\$ 13,014</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2013, was as follows:

	Balance 9/1/2012	Increases	Reclassifications/ Reductions	Balance 8/31/2013
Governmental Activities				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 55,336	\$ -	\$ -	\$ 55,336
<u>Capital Assets Being Depreciated:</u>				
Buildings & Improvements	980,893	-	-	980,893
Vehicles & Equipment	232,938	88,608	-	321,546
Infrastructure	135,346	-	-	135,346
	<u>1,349,177</u>	<u>88,608</u>	<u>-</u>	<u>1,437,785</u>
Less Accumulated Depreciation				
Buildings & Improvements	512,091	9,286	-	521,377
Vehicles & Equipment	168,910	10,960	-	179,870
Infrastructure	26,346	2,707	-	29,053
	<u>707,347</u>	<u>22,953</u>	<u>-</u>	<u>730,300</u>
Net Capital Assets				
Being Depreciated	641,830	65,655	-	707,485
Net Capital Assets	<u>\$ 697,166</u>	<u>\$ 65,655</u>	<u>\$ -</u>	<u>\$ 762,821</u>

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 6,560
Student Transportation	4,534
Food Services	6,452
Plant Maintenance & Operations	5,407
Total Depreciation Expense	<u>\$ 22,953</u>

G. LONG-TERM DEBT

Bonds Payable

The District has no bonds payable at August 31, 2013.

Capital Leases

The District has no capital lease obligations at August 31, 2013.

H. COMMITMENTS UNDER OPERATING LEASES

Operating Leases

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments. Lease expense for operating lease agreements for the current year is \$3,914. Minimum future annual requirements are as follows:

Year Ended August 31,	Amount
2014	3,984
2015	3,984
2016	3,984
2017	3,984
2018	2,656
Thereafter	-
Total	<u>\$ 18,592</u>

I. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	Governmental Funds		Totals
	General Fund	Nonmajor Funds	
Property Taxes	\$ 337,753	\$ -	\$ 337,753
Investment Income	4,680	12	4,692
Rent	1,500	-	1,500
Food Sales	-	9,146	9,146
Co-Curricular Student Activities	-	-	-
Miscellaneous	25,764	7,068	32,832
	<u>\$ 369,697</u>	<u>\$ 16,226</u>	<u>\$ 385,923</u>

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. The District has not recorded a liability for accumulated sick leave since the amount is not considered material.

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

Full-term employees (employees with 12-month appointments) are eligible for paid vacation leave. Vacation time is accrued as follows: one week after one year of employment and two weeks after three years of continuous employment. Unused vacation leave is not carried forward. The District has not recorded a liability for accumulated vacation since the amount is not considered material.

K. PENSION PLAN

Defined Benefit Pension Plan

Plan Description. The District contributes to the Teacher Retirement System of Texas (TRS), a cost sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's 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.

Contributions rates and contributions for fiscal years 2013-2011 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employee's salaries that exceeded the statutory minimum.

Year	Member		State		Statutory Minimum Amt
	Rate	Amount	Rate	Amount	Amount
2013	6.40%	\$ 24,819	6.40%	\$ 18,998	\$ 3,134
2012	6.40%	\$ 23,304	6.00%	\$ 19,247	\$ 2,106
2011	6.40%	\$ 29,594	6.64%	\$ 27,640	\$ 3,716

L. MEDICARE PART D

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are shown on the table following.

For the Years Ended August 31,			
	2013	2012	2011
TRS on Behalf Medicare Part D	\$ 1,472	\$ 1,034	\$ 1,004

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

M. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2013, 2012 and 2011. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than .75% of the salary of each active employee of the public school. The amounts, which are equal to the required contribution, are reflected on the following table:

	For the Years Ended August 31		
	2013	2012	2011
State's Contributions	\$ 4,584	\$ 3,649	\$ 4,624
Employee Contributions	2,979	2,372	3,005
District Contributions	2,521	2,007	2,543

N. HEALTH CARE COVERAGE

The District is a participating member in the Texas School Employees Uniform Group Health Coverage Program (TRS-Active Care). TRS-Active Care is a group health insurance program (the Plan) in which, by statute, all school districts with 500 or fewer employees are required to participate.

During the year ended August 31, 2013, the District paid premiums of \$292 per month per employee to the Plan (employees at their own option, may authorize payroll withholdings to pay premiums for dependents). "Employee" means a participating member of the Teacher Retirement System of Texas who is employed by a participating member.

O. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES
None

P. RELATED ORGANIZATIONS

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

Q. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District participates in a Shared Services Arrangement (SSA) styled the Cooke County Special Education Cooperative. Although 1.51% of the activity of the Co Op is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Callisburg ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future

WALNUT BEND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. Presented below are the revenues and expenditures attributable to the District's participation.

		Local	Federal	
		Special Education 437	IDEA-B Formula 313	IDEA-B Preschool 314
Revenues:				
57xx-59xx	Local Source Revenues	\$ 12,641	\$ -	\$ -
5929	Federal Revenue Distributed by TEA	-	13,008	119
Expenditures:				
6100	Payroll Costs	9,323	12,023	119
6200	Consulting Services	2,776	246	-
6300	Supplies and Materials	439	291	-
6400	Other Operating Expenditures	103	448	-
6600	Capital Outlay	-	-	-

R. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through December 30, 2013, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

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WALNUT BEND ISD
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 314,874	\$ 365,900	\$ 369,697	\$ 3,797
5800	State Program Revenues	384,329	433,954	419,703	(14,251)
5020	Total Revenues	699,203	799,854	789,400	(10,454)
EXPENDITURES:					
Current:					
0011	Instruction	327,668	361,413	369,914	(8,501)
0012	Instructional Resources and Media Services	7,525	6,365	6,254	111
0013	Curriculum and Instructional Staff Development	1,500	500	213	287
0023	School Leadership	60,548	60,048	59,828	220
0034	Student (Pupil) Transportation	42,437	123,845	123,426	419
0035	Food Services	-	300	219	81
0036	Extracurricular Activities	12,161	12,661	12,632	29
0041	General Administration	73,192	69,192	68,623	569
0051	Facilities Maintenance and Operations	96,635	84,835	82,896	1,939
0053	Data Processing Services	5,200	5,015	5,014	1
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	14,000	13,500	13,468	32
0099	Other Intergovernmental Charges	5,000	5,000	4,909	91
6030	Total Expenditures	645,866	742,674	747,396	(4,722)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	53,337	57,180	42,004	(15,176)
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(53,337)	(45,137)	(23,518)	21,619
7080	Total Other Financing Sources (Uses)	(53,337)	(45,137)	(23,518)	21,619
1200	Net Change in Fund Balances	-	12,043	18,486	6,443
0100	Fund Balance - September 1 (Beginning)	920,420	920,420	920,420	-
3000	Fund Balance - August 31 (Ending)	\$ 920,420	\$ 932,463	\$ 938,906	\$ 6,443

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COMBINING STATEMENTS

WALNUT BEND ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes		240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 150	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	1,482	347	792	-
1410	Prepayments	-	500	-	-
1000	Total Assets	<u>\$ 1,632</u>	<u>\$ 847</u>	<u>\$ 792</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ 281	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	1,324	-	745	-
2170	Due to Other Funds	-	847	-	-
2200	Accrued Expenditures	27	-	47	-
2000	Total Liabilities	<u>1,632</u>	<u>847</u>	<u>792</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,632</u>	<u>\$ 847</u>	<u>\$ 792</u>	<u>\$ -</u>

404 Student Success Initiative	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ 312	\$ 3,454	\$ 3,916
-	-	-	2,621
-	-	-	500
<u>\$ -</u>	<u>\$ 312</u>	<u>\$ 3,454</u>	<u>\$ 7,037</u>
\$ -	\$ -	\$ -	\$ 281
-	-	-	2,069
-	-	-	847
-	-	-	74
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,271</u>
-	312	-	312
-	-	3,454	3,454
<u>-</u>	<u>312</u>	<u>3,454</u>	<u>3,766</u>
<u>\$ -</u>	<u>\$ 312</u>	<u>\$ 3,454</u>	<u>\$ 7,037</u>

WALNUT BEND ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenue Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 9,146	\$ -	\$ -	\$ -
5800	State Program Revenues	259	-	-	-
5900	Federal Program Revenues	46,795	2,229	15,518	-
5020	Total Revenues	56,200	2,229	15,518	-
EXPENDITURES:					
Current:					
0011	Instruction	-	-	15,518	-
0013	Curriculum and Instructional Staff Development	-	2,229	-	-
0035	Food Services	79,836	-	-	-
0036	Extracurricular Activities	-	-	-	-
6030	Total Expenditures	79,836	2,229	15,518	-
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,636)	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	23,518	-	-	-
7080	Total Other Financing Sources (Uses)	23,518	-	-	-
1200	Net Change in Fund Balance	(118)	-	-	-
0100	Fund Balance - September 1 (Beginning)	118	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

404 Student Success Initiative	410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 7,080	\$ 16,226
309	-	-	568
-	-	-	64,542
309	-	7,080	81,336
309	180	449	16,456
-	-	-	2,229
-	-	-	79,836
-	-	5,297	5,297
309	180	5,746	103,818
-	(180)	1,334	(22,482)
-	-	-	23,518
-	-	-	23,518
-	(180)	1,334	1,036
-	492	2,120	2,730
\$ -	\$ 312	\$ 3,454	\$ 3,766

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REQUIRED TEA SCHEDULES

WALNUT BEND ISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ 20,442,012
2005	1.500000	0.000000	10,465,871
2006	1.500000	0.000000	12,459,277
2007	1.369990	0.000000	20,167,812
2008	1.040000	0.000000	19,829,463
2009	1.040000	0.000000	39,160,347
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 (School year under audit)	1.040000	0.000000	32,916,807
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 12,742	\$ -	\$ 5	\$ -	\$ (1,985)	\$ 10,752
649	-	15	-	(2)	632
847	-	12	-	-	835
1,014	-	24	-	-	990
712	-	11	-	-	701
1,695	-	13	-	-	1,682
2,138	-	85	-	-	2,053
2,130	-	24	-	-	2,106
3,922	-	1,103	-	(155)	2,664
-	342,335	334,950	-	(299)	7,086
<u>\$ 25,849</u>	<u>\$ 342,335</u>	<u>\$ 336,242</u>	<u>\$ -</u>	<u>\$ (2,441)</u>	<u>\$ 29,501</u>

WALNUT BEND ISD
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2013

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 22,927	\$ -	\$ -	\$ -	22,927
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	934	-	-	-	-	-	934
6212	Audit Services	8,700	-	-	-	-	-	8,700
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	6,437	-	-	-	-	6,437
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	5,258	-	-	-	5,258
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	1,250	-	24,673	-	-	-	25,923
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	-	-	-	-
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	460	-	-	-	460
6410	Travel, Subsistence, Stipends	-	-	895	-	-	-	895
6420	Ins. and Bonding Costs	-	-	101	-	-	-	101
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	-	-	1,898	-	-	-	1,898
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 10,884	\$ 6,437	\$ 56,212	\$ -	\$ -	\$ -	73,533

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 851,215

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 88,608
Total Debt & Lease(6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 82,896
Food (Function 35, 6341 and 6499)	(13) 39,329
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	-

SubTotal:

210,834

Net Allowed Direct Cost

\$ 640,381

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 1,116,239
Historical Cost of Building over 50 years old	(16) \$ 419,235
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 321,546
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.

\$4,909 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

WALNUT BEND ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 10,200	\$ 8,932	\$ 9,146	\$ 214
5800	State Program Revenues	-	-	259	259
5900	Federal Program Revenues	27,000	43,977	46,795	2,818
5020	Total Revenues	37,200	52,909	56,200	3,291
EXPENDITURES:					
0035	Food Services	90,537	82,337	79,836	2,501
6030	Total Expenditures	90,537	82,337	79,836	2,501
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,337)	(29,428)	(23,636)	5,792
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	53,337	-	-	-
7915	Transfers In	-	45,137	23,518	(21,619)
7080	Total Other Financing Sources (Uses)	53,337	45,137	23,518	(21,619)
1200	Net Change in Fund Balances	-	15,709	(118)	(15,827)
0100	Fund Balance - September 1 (Beginning)	118	118	118	-
3000	Fund Balance - August 31 (Ending)	\$ 118	\$ 15,827	\$ -	\$ (15,827)

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FEDERAL AWARDS SECTION

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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 Walnut Bend Independent School District (the District) as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Walnut Bend Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Walnut Bend Independent School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walnut Bend Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of

laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Schalk & Smith P.C.".

Schalk & Smith, P.C.
December 30, 2013

**WALNUT BEND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified Opinion

Internal control over financial reporting:

- | | |
|---|----|
| • Material weakness identified | No |
| • Significant deficiency identified that are not considered to be material weaknesses | No |
| • Noncompliance material to financial statements noted | No |

Under the guidelines of OMB Circular A-133, a Single Audit was not required for the year ended August 31, 2013.

Section II – Financial Statement Findings-NONE

Section III – Federal Award findings and Questioned Costs-NONE

SCHEDULE OF PRIOR YEAR FINDINGS

None

CORRECTIVE ACTION PLAN

None

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OTHER AUDIT COMMUNICATIONS

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SCHALK & SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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

December 30, 2013

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

Members of the Board:

We have audited 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, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 19, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note I to the financial statements. The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the current year. The application of existing policies was not changed during 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities and the general fund's financial statements was:

Management's estimate of the allowance for doubtful accounts is based on historical property tax collections. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

There were no sensitive disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 30, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. This information is intended solely for the use of the Board of Trustees of Walnut Bend Independent School District and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Schalk & Smith, PC
Certified Public Accountants