

**WILLIS INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2022

WILLIS INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Willis Independent School District

Name of School District

Montgomery

County

170-904

Co. - Dist. No.

We, the undersigned, certify that the annual financial reports for the above named school district were reviewed and approved for the year ended August 31, 2022, at a meeting of the Board of Trustees of such school district on the 11th day of January 2023.


Signature of Board Vice President


Signature of Board President



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Willis Independent School District
Willis, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, pension information, and other-post employment benefit information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Board of Trustees
Willis Independent School District

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule L-1 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
January 11, 2023



WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Willis Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2022. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation, net taxes receivable, claims payable of the District's self-insured workers' compensation program, and the net pension and OPEB liability.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$63 million (net position). The District reported positive net position in all categories.
- The District's total net position increased by \$12 million from current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$253 million, an increase of \$94 million from the preceding year primarily due to the issuance of debt in the current year.
- At the end of the year, unassigned fund balance of the general fund was \$27 million, or 36 percent of the year's total general fund expenditures.
- The District's total bonded debt increased by \$138 million (59 percent) during the year.

Overview of the Financial Statements

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

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

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

Both of the government-wide financial statements distinguish functions of the 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 District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges. The business-type activities of the District include the Enterprise Funds for Early Bird Child Care

The government-wide financial statements can be found as noted in the table of contents of this report.

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of cash resources*, as well as on *balances of cash resources* available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

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

The District maintained several individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other twenty-two governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison schedule has been provided for the general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund to demonstrate compliance with its budget.

The basic governmental fund financial statements are noted in the table of contents of this report.

Proprietary Fund. The District maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses an enterprise fund to account for its Early Bird Child Care program. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses the internal service funds to account for the District's group health insurance benefits and workers' compensation risk management. Because these internal service funds predominantly benefit governmental operations, their financial activities have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide essentially the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are provided with the basic financial statements and provide information for the Early Bird Child Care program and the self-funded group health insurance benefits and workers' compensation risk management programs.

The basic proprietary fund financial statements are noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs and activities. A statement of fiduciary net position and statement of changes in fiduciary net position are presented for fiduciary funds, as noted in the table of contents of this report.

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents required supplementary information and supplementary information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

Government-Wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$63 million.

Willis Independent School District's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 272,185,215	\$ 176,104,134	\$ 700,260	\$ 654,384	\$ 272,885,475	\$ 176,758,518
Capital Assets	243,064,864	188,406,194	-	-	243,064,864	188,406,194
Total Assets	515,250,079	364,510,328	700,260	654,384	515,950,339	365,164,712
Total Deferred Outflows	11,269,917	11,507,592	-	-	3,912,150	-
Long-Term Liabilities	421,310,137	290,061,848	-	-	421,310,137	290,061,848
Other Liabilities	14,924,621	13,811,977	11,724	-	14,936,345	13,811,977
Total Liabilities	436,234,758	303,873,825	11,724	-	436,246,482	303,873,825
Total Deferred Inflows	25,268,725	21,812,716	-	-	13,950,687	-
Net Position						
Net Investment in Capital Assets	41,114,545	42,948,304	-	-	41,114,545	42,948,304
Restricted for Grant	2,673,450	1,107,242	-	-	2,673,450	1,107,242
Restricted	11,971,852	3,251,640	-	-	11,971,852	3,251,640
Unrestricted	6,279,984	3,024,193	688,536	654,384	6,968,520	3,678,577
Total Net Position	\$ 62,039,831	\$ 50,331,379	\$ 688,536	\$ 654,384	\$ 62,728,367	\$ 50,985,763

The largest portion of the District's net position (\$41 million) is net investment in capital assets (e.g., land and improvements, buildings and improvements, furniture, vehicles, and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position that is restricted for debt service and grants totaled \$15 million.

Unrestricted net position of \$6 million may be used to meet the District's ongoing obligations to students and creditors.

Governmental Activities. Governmental Activities increased the District's net position by \$12 million and Business-type Activities increased the District's net position by \$34 thousand from current operations. Key elements of this change are as follows:

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Willis Independent School District's Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for Services	\$ 1,798,038	\$ 1,621,957	\$ 107,482	\$ 67,985	\$ 1,905,520	\$ 1,689,942
Operating Grants and Contributions	14,678,236	15,805,857	-	-	14,678,236	15,805,857
General Revenues:						
Property Taxes	43,682,035	39,198,192	-	-	43,682,035	39,198,192
Property Taxes, levied for debt service	15,112,865	12,818,678	-	-	15,112,865	12,818,678
State Aid - Formula Grants	28,036,247	30,264,014	-	-	28,036,247	30,264,014
Investment earnings	1,123,687	169,664	-	-	1,123,687	169,664
Miscellaneous	2,239,081	503,261	-	-	2,239,081	503,261
Total Revenues	106,670,189	100,381,623	107,482	67,985	106,777,671	100,449,608
Expenses						
Instruction	45,500,376	46,270,855	-	-	45,500,376	46,270,855
Instrucional Resources and Media	316,483	281,299	-	-	316,483	281,299
Curriculum and staff development	2,411,328	3,097,827	-	-	2,411,328	3,097,827
Instructional leadership	316,742	247,049	-	-	316,742	247,049
School leadership	5,182,556	5,068,024	-	-	5,182,556	5,068,024
Guidance, counseling, and evaluation services	2,646,023	2,631,237	-	-	2,646,023	2,631,237
Social work services	218,651	177,123	-	-	218,651	177,123
Health services	849,109	899,149	-	-	849,109	899,149
Student transportation	4,119,783	3,777,606	-	-	4,119,783	3,777,606
Food service	5,653,460	4,145,136	-	-	5,653,460	4,145,136
Extracurricular activities	4,034,943	3,565,721	-	-	4,034,943	3,565,721
General administration	2,709,048	2,547,511	-	-	2,709,048	2,547,511
Facilities maintenance and operations	9,210,860	8,729,938	-	-	9,210,860	8,729,938
Security and monitoring services	930,109	726,397	-	-	930,109	726,397
Data processing services	886,673	598,305	-	-	886,673	598,305
Community services	(3,994)	2,135	-	-	(3,994)	2,135
Interest on long-term debt	7,451,732	5,820,348	-	-	7,451,732	5,820,348
Bond issuance costs and fees	934,335	746,892	-	-	934,335	746,892
Facilities maintenance and repairs	1,129,642	263,374	-	-	1,129,642	263,374
Payments to Juvenile Justice Alternative					510	2,200
Education Programs	510	2,200				
Other governmental charges	463,368	437,769	-	-	463,368	437,769
Early Bird Child Care	-	-	73,330	41,163	73,330	41,163
Total Expenses	94,961,737	90,035,895	73,330	41,163	95,035,067	90,077,058
Increase (Decrease) in Net Position	11,708,452	10,345,728	34,152	26,822	11,742,604	10,372,550
Net Position - Beginning	50,331,379	39,985,651	654,384	627,562	50,985,763	40,613,213
Prior Period Adjustments	-	-	-	-	-	-
Net Position - Ending	\$ 62,039,831	\$ 50,331,379	\$ 688,536	\$ 654,384	\$ 62,728,367	\$ 50,985,763

Revenues, aggregating \$107 million, were generated primarily from two sources. Property taxes of \$59 million represent 55 percent of total revenues, while grants and contributions (program and general) totaling \$43 million represent 40 percent of total revenues. The remaining five percent is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$46 million), which represents 48 percent of total expenses. The remaining expense categories are individually less than eight percent of total expenses. Interest expense increased by almost \$2 million due to the retirement of the capital appreciation bond.

The increase in net position of \$12 million was primarily driven from an increase in property tax revenues and operating grants and contributions.

Business-type Activities. Business-type activities increased the District's net position by \$34 thousand, primarily due to the increase in charges for services as more individuals took advantage of the Early Bird Childcare program.

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis of the Government's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$253 million, an increase of \$95 million from the preceding year. Comments as to each major fund's change in fund balance follow.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$27 million, while total fund balance was \$47 million. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 36 percent of total general fund expenditures, while total fund balance represents 63 percent of that same total. The fund balance of the general fund increased (\$3 million) during the year, primarily as a result of the increase in property tax revenue.

The debt service fund ended the year with a total fund balance of \$10 million, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$5 million during the year, primarily due to the refunding of existing debt and an increase in property tax collections.

The capital projects fund has a total fund balance of \$192 million, all of which is restricted for capital expenditures. The net increase in fund balance during the current year in the capital projects fund was \$86 million. The increase was due to the issuance of new debt of \$140 million, offset by continued construction projects of \$59 million.

Governmental funds financial statements may be found by referring to the table of contents.

Proprietary Funds. The District's proprietary fund financial statements, reflecting enterprise and internal service funds created for its Early Bird Child Care program and self-funded group health insurance benefits and workers' compensation risk management programs, provide information as to profitability of those programs. The change in net position of the internal service fund is eliminated and allocated to the governmental expenses in the government-wide financial statements. The enterprise funds have been addressed in the discussion of the District's business-type activities.

General Fund Budgetary Highlights

The District amended the budget several times throughout the year. The final budget expenditures increased by \$6 million primarily due to the increase in facilities acquisition and construction for capital improvements.

There were no significant variations between the final budget and actual results. The District came under budgeted expenditures by \$3 million.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental and business-type activities as of August 31, 2022 as \$244 million (net of accumulated depreciation/amortization). This investment in capital assets includes land and improvements, buildings and improvements, furniture, right-to-use assets, vehicles, and equipment, and construction in progress.

Major capital asset addition activity during the year included the following:

- Furniture and equipment and right-to-use asset totaling \$1 million.
- Construction in progress totaling \$51 million before the reclassification of completed projects of \$41 million.

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Willis Independent School District's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 12,137,326	\$ 12,919,773	\$ -	\$ -	\$ 12,137,326	\$ 12,919,773
Buildings and Improvements, net	175,080,249	140,516,676	-	-	175,080,249	140,516,676
Furniture and equipment, net	4,423,700	4,538,725	-	-	4,423,700	4,538,725
Right-to-use assets, net	498,652	-	-	-	498,652	-
Construction in Progress	51,423,589	30,431,021	-	-	51,423,589	30,431,021
Total	<u>\$ 243,563,516</u>	<u>\$ 188,406,195</u>	<u>-</u>	<u>-</u>	<u>\$ 243,563,516</u>	<u>\$ 188,406,195</u>

Commitments. At the end of the current fiscal year, the District's commitments with construction contractors totaled \$8.5 million. The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

Additional information on the District's capital assets can be found in the notes to the financial statements per the table of contents.

Long-term Liabilities. At year-end, the District had the following long-term liabilities:

Willis Independent School District's Long-Term Liabilities Outstanding

	Governmental Activities					
	2022	%	2021	%	Change	%
General obligation bonds	372,460,000	93%	\$ 234,242,293	78%	\$ 138,217,707	59%
Lease liability	502,859		-		\$ 502,859	100%
Net pension liability	9,616,439	2%	19,596,125	10%	(9,979,686)	-51%
Net OPEB liability	19,548,361	5%	19,259,034	12%	289,327	2%
	<u>\$ 402,127,659</u>	<u>100%</u>	<u>\$ 273,097,452</u>	<u>100%</u>	<u>\$ 129,030,207</u>	<u>47%</u>

The District's total debt increased by \$129 million due to current year bond issuance of \$148 million, which was offset by principal payments, refunded bonds and the reduction of net pension liability of \$10 million. The Teacher Retirement System of Texas experienced favorable investment earnings, which resulted in a state-wide lower net pension liability. The District's proportionate share of that liability reflects the 51% decrease as well.

The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Bond Guarantee Program or by a municipal bond insurance policy. State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval by the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term liabilities can be found in the notes to the financial statements per the table of contents.

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budget and Rates

School year (2022-23) student enrollment is 8,814, a 4.5 percent increase from 8,430 in the preceding year.

- District staff totals 1,098 employees in 2022-23, excluding substitutes and other part-time employees, of which 478 are teachers and 159 are teacher aides and secretaries.
- The District maintains 11 regular education campuses.
- Property values of the District are projected to remain consistent in the 2022-23 year.
- A maintenance and operations tax rate of \$0.8546 and a debt service tax rate of \$0.30, a total rate of \$1.1546, were adopted for 2022-23. Preceding year rates were \$.0872, \$0.30, and \$1.720, respectively.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Willis Independent School District business office at 612 North Campbell Street, Willis, Texas, 77378 or at (936)-856-1200.



BASIC FINANCIAL STATEMENTS



WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2022
Exhibit A-1

Data Control Codes		Primary Government		
		Governmental Activities	Business-type Activities	Total
Assets				
1110	Cash and Cash Equivalents	\$ 7,824,731	\$ 699,860	\$ 8,524,591
1120	Current Investments	253,614,470	-	253,614,470
1220	Property Taxes - Delinquent	3,285,808	-	3,285,808
1230	Allowance for Uncollectible Taxes	(23,134)	-	(23,134)
1240	Due from Other Governments	6,375,763	-	6,375,763
1260	Internal Balances	4	(4)	
1290	Other Receivables, Net	14,230	-	14,230
1300	Inventories	19,253	-	19,253
1410	Prepaid Items	1,074,090	404	1,074,494
	Capital Assets Not Subject to Depreciation:			
1510	Land	12,137,326	-	12,137,326
1580	Construction in Progress	51,423,589	-	51,423,589
	Capital Assets Net Of Depreciation:			
1520	Buildings And Improvements, Net	175,080,249	-	175,080,249
1530	Furniture And Equipment, Net	4,423,700	-	4,423,700
1550	Right-to-Use Assets	498,652	-	498,652
1000	Total Assets	515,748,731	700,260	516,448,991
Deferred Outflows Of Resources				
	Deferred Charge for Refunding	912,837	-	912,837
	Deferred Outflow Related to TRS Pension	6,444,930	-	6,444,930
	Deferred Outflow Related to TRS OPEB	3,912,150	-	3,912,150
1700	Total Deferred Outflows of Resources	11,269,917	-	11,269,917
Liabilities				
2110	Accounts Payable	6,465,026	-	6,465,026
2140	Interest Payable	953,129	-	953,129
2150	Payroll Deductions And Withholdings	434,874	-	434,874
2160	Accrued Wages Payable	5,983,397	88	5,983,485
2180	Due to Other Governments	83,108	-	83,108
2200	Accrued Expenses	685,394	-	685,394
2300	Unearned Revenue	319,693	11,636	331,329
	Noncurrent Liabilities:			
2501	Due Within One Year	6,275,675	-	6,275,675
2502	Due in More Than One Year	385,869,662	-	385,869,662
2540	Net Pension Liability	9,616,439	-	9,616,439
2545	Net Other Post-Employment Benefits (OPEB)			
	Liabilities	19,548,361	-	19,548,361
2000	Total Liabilities	436,234,758	11,724	436,246,482
Deferred Inflows Of Resources				
	Deferred Inflows - Pension	11,318,038	-	11,318,038
	Deferred Outflows - OPEB	13,950,687	-	13,950,687
	Deferred Gain on Refunding	3,475,334	-	3,475,334
2600	Total Deferred Inflows of Resources	28,744,059	-	28,744,059
Net Position				
3200	Net Investment in Capital Assets	41,114,545	-	41,114,545
	Restricted For:			
3820	Federal and State Programs	2,673,450	-	2,673,450
3850	Debt Service	11,971,852	-	11,971,852
3900	Unrestricted	6,279,984	688,536	6,968,520
3000	Total Net Position	\$ 62,039,831	\$ 688,536	\$ 62,728,367

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2022

Exhibit B-1
Page 1 of 2

Data Control Codes	Functions/Programs	Expenses	Program Revenue	
			Charges for Services	Operating Grants and Contributions
	Primary Government			
	Governmental Activities:			
11	Instruction	\$ 45,500,376	\$ -	\$ 4,641,171
12	Instructional resources and media services	316,483	-	(801)
13	Curriculum and staff development	2,411,328	-	1,291,191
21	Instructional leadership	316,742	-	28,067
23	School leadership	5,182,556	-	(37,088)
31	Guidance, counseling, and evaluation services	2,646,023	-	227,980
32	Social work services	218,651	-	3,538
33	Health services	849,109	-	1,036,669
34	Student transportation	4,119,783	13,049	37,945
35	Food service	5,653,460	716,657	6,697,143
36	Extracurricular activities	4,034,943	1,024,777	(19,009)
41	General administration	2,709,048	-	385,462
51	Facilities maintenance and operations	9,210,860	43,555	178,731
52	Security and monitoring services	930,109	-	210,520
53	Data processing services	886,673	-	(2,710)
61	Community services	(3,994)	-	(573)
72	Interest on long-term debt	7,451,732	-	-
73	Bond issuance costs and fees	934,335	-	-
81	Facilities maintenance and repairs	1,129,642	-	-
95	Payments to Juvenile Justice Alternative Education Programs	510	-	-
99	Intergovernmental charges	463,368	-	-
TG	Total Governmental Activities	<u>94,961,737</u>	<u>1,798,038</u>	<u>14,678,236</u>
	Business-Type Activities			
01	Early Bird Child Care	73,330	107,482	-
TB	Total Business-Type Activities	<u>73,330</u>	<u>107,482</u>	<u>-</u>
TP	Total Primary Government	<u>\$ 95,035,067</u>	<u>\$ 1,905,520</u>	<u>\$ 14,678,236</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2022

Exhibit B-1

Page 2 of 2

Data Control Codes	Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
		Primary Government		
		Governmental Activities	Business-type Activities	Total
	Primary Government			
	Governmental Activities:			
11	Instruction	\$ (40,859,205)	\$ -	\$ (40,859,205)
12	Instructional resources and media services	(317,284)	-	(317,284)
13	Curriculum and staff development	(1,120,137)	-	(1,120,137)
21	Instructional leadership	(288,675)	-	(288,675)
23	School leadership	(5,219,644)	-	(5,219,644)
31	Guidance, counseling, and evaluation services	(2,418,043)	-	(2,418,043)
32	Social work services	(215,113)	-	(215,113)
33	Health services	187,560	-	187,560
34	Student transportation	(4,068,789)	-	(4,068,789)
35	Food service	1,760,340	-	1,760,340
36	Extracurricular activities	(3,029,175)	-	(3,029,175)
41	General administration	(2,323,586)	-	(2,323,586)
51	Facilities maintenance and operations	(8,988,574)	-	(8,988,574)
52	Security and monitoring services	(719,589)	-	(719,589)
53	Data processing services	(889,383)	-	(889,383)
61	Community services	3,421	-	3,421
72	Interest on long-term debt	(7,451,732)	-	(7,451,732)
73	Bond issuance costs and fees	(934,335)	-	(934,335)
81	Facilities maintenance and repairs	(1,129,642)	-	(1,129,642)
95	Payments to Juvenile Justice Alternative Education Programs	(510)	-	(510)
99	Intergovernmental charges	(463,368)	-	(463,368)
TG	Total Governmental Activities	(78,485,463)	-	(78,485,463)
	Business-Type Activities			
01	Early Bird Child Care	-	34,152	34,152
TB	Total Business-Type Activities	-	34,152	34,152
TP	Total Primary Government	\$ (78,485,463)	\$ 34,152	\$ (78,451,311)
	General Revenues			
	Taxes:			
MT	Property Taxes, Levied for General Purposes	43,682,035	-	43,682,035
DT	Property Taxes, Levied for Debt Service	15,112,865	-	15,112,865
SF	State Aid - Formula Grants	28,036,247	-	28,036,247
IE	Investment Earnings	1,123,687	-	1,123,687
MI	Miscellaneous	2,239,081	-	2,239,081
TR	Total General Revenues	90,193,915	-	90,193,915
CN	Change in net position	11,708,452	34,152	11,742,604
NB	Net Position - Beginning	50,331,379	654,384	50,985,763
NE	Net Position - Ending	\$ 62,039,831	\$ 688,536	\$ 62,728,367

WILLIS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2022

Exhibit C-1
Page 1 of 2

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
Assets				
1110	Cash and Cash Equivalents	\$ 2,434,924	\$ 4,285	\$ -
1120	Current Investments	45,862,801	9,554,708	196,556,372
	Receivables:			
1220	Delinquent Property Taxes Receivables	2,461,287	824,521	-
1230	Allowance for Uncollectible Taxes (Credit)	(17,210)	(5,924)	-
1240	Receivables from Other Governments	5,381,790	6,563	10,000
1260	Due from Other Funds	293,850	92,194	-
1290	Other Receivables	-	14,230	-
1300	Inventories, At Cost	19,253	-	-
1410	Prepaid Items	1,008,072	-	-
1000	Total Assets	\$ 57,444,767	\$ 10,490,577	\$ 196,566,372
Liabilities And Fund Balances				
	Liabilities:			
2110	Accounts Payable	\$ 1,391,330	\$ -	\$ 4,307,508
2150	Payroll Deduction And Withholdings	434,874	-	-
2160	Accrued Wages Payable	5,601,589	-	-
2170	Due to Other Funds	92,594	-	-
2180	Payable to Other Governments	1,648	9,672	-
2300	Unearned Revenues	263,564	-	-
2000	Total Liabilities	7,785,599	9,672	4,307,508
	Deferred Inflows of Resources			
	Deferred Inflows - Property Taxes	2,444,076	818,598	-
2600	Total Deferred Inflows of Resources	2,444,076	818,598	-
	Fund Balances:			
	Non-Spendable:			
3410	Inventories	19,253	-	-
3430	Prepaid Items	1,008,073	-	-
	Restricted:			
3450	Federal/State Funds Grant Restrictions	-	-	-
3470	Capital Acquisitions And Contractual Oblig.	-	-	192,258,864
3480	Debt Service	-	9,662,307	-
	Committed:			
3545	Other Committed	20,000,000	-	-
3600	Unassigned	26,187,766	-	-
3000	Total Fund Balances	47,215,092	9,662,307	192,258,864
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ 57,444,767	\$ 10,490,577	\$ 196,566,372

WILLIS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2022

Exhibit C-1
Page 2 of 2

Data Control Codes		Nonmajor Governmental Funds	Total Governmental Funds
Assets			
1110	Cash and Cash Equivalents	\$ 3,786,943	\$ 6,226,152
1120	Current Investments	-	251,973,881
	Receivables:		
1220	Delinquent Property Taxes Receivables	-	3,285,808
1230	Allowance for Uncollectible Taxes (Credit)	-	(23,134)
1240	Receivables from Other Governments	977,410	6,375,763
1260	Due from Other Funds	500	386,544
1290	Other Receivables	-	14,230
1300	Inventories, At Cost	-	19,253
1410	Prepaid Items	-	1,008,072
1000	Total Assets	\$ 4,764,853	\$ 269,266,569
Liabilities And Fund Balances			
	Liabilities:		
2110	Accounts Payable	\$ 426,091	\$ 6,124,929
2150	Payroll Deduction And Withholdings	-	434,874
2160	Accrued Wages Payable	381,808	5,983,397
2170	Due to Other Funds	294,346	386,940
2180	Payable to Other Governments	71,788	83,108
2300	Unearned Revenues	56,129	319,693
2000	Total Liabilities	1,230,162	13,332,941
	Deferred Inflows of Resources		
	Deferred Inflows - Property Taxes	-	3,262,674
2600	Total Deferred Inflows of Resources	-	3,262,674
	Fund Balances:		
	Non-Spendable:		
3410	Inventories	-	19,253
3430	Prepaid Items	-	1,008,073
	Restricted:		
3450	Federal/State Funds Grant Restrictions	2,673,450	2,673,450
3470	Capital Acquisitions And Contractual Oblig.	-	192,258,864
3480	Debt Service	-	9,662,307
	Committed:		
3545	Other Committed	861,241	20,861,241
3600	Unassigned	-	26,187,766
3000	Total Fund Balances	3,534,691	252,670,954
4000	Total Liabilities, Deferred Inflows, and Fund Balances	\$ 4,764,853	269,266,569



WILLIS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
August 31, 2022

Exhibit C-2

Data Control Codes	Total Fund Balance, Governmental Funds	\$ 252,670,954
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable.	243,563,516
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	3,262,674
3	Deferred charge on refunding	912,837
4	Deferred outflows relating to pension activities	6,444,930
5	Deferred outflows relating to other-post employment benefit	3,912,150
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
6	General obligation bonds	(372,460,000)
7	Premiums on issuance	(19,182,477)
8	Deferred gain on refunding	(3,475,335)
9	Lease liability	(502,859)
10	Net pension liability	(9,616,439)
11	Net other-post employment benefit liability	(19,548,361)
12	Accrued interest payable	(953,129)
13	Deferred inflows relating to pension activities	(11,318,038)
14	Deferred inflows relating to other-post employment benefit	(13,950,687)
15	Internal service fund net position	<u>2,280,095</u>
19	Net Position of Governmental Activities	<u>\$ 62,039,831</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit C-3

Page 1 of 2

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
Revenues				
5700	Local and Intermediate Sources	\$ 43,602,687	\$ 14,757,031	\$ 755,446
5800	State Program Revenues	31,017,162	168,656	-
5900	Federal Program Revenues	1,470,434	-	-
5020	Total Revenues	76,090,283	14,925,687	755,446
Expenditures				
Current:				
0011	Instruction	41,673,834	-	-
0012	Instruction Resources and Media Services	186,184	-	-
0013	Curriculum and Staff Development	1,498,051	-	-
0021	Instructional Leadership	348,072	-	-
0023	School Leadership	5,186,511	-	-
0031	Guidance, Counseling and Evaluation Services	2,520,040	-	-
0032	Social Work Services	219,786	-	-
0033	Health Services	884,644	-	-
0034	Student Transportation	3,647,759	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	2,339,335	-	-
0041	General Administration	2,642,643	-	-
0051	Facilities Maintenance and Operations	8,654,506	-	-
0052	Security and Monitoring Services	682,642	-	-
0053	Data Processing Services	909,886	-	-
Debt Service:				
0071	Principal on Long-Term Debt	4,245	4,132,295	-
0072	Interest on Long-Term Debt	-	10,030,474	-
0073	Bond Issuance Costs and Fees	-	127,793	1,140,437
Capital Outlay:				
0081	Facilities Acquisition and Construction	3,564,665	-	58,289,326
Intergovernmental:				
0095	Payments To Juvenile Justice Alt. Ed. Prgm.	510	-	-
0099	Other Intergovernmental Charges	463,368	-	-
6030	Total Expenditures	75,426,681	14,290,562	59,429,763
1100	Excess (Deficiency) of Revenues Over Expenditures	663,602	635,125	(58,674,317)
Other Financing Sources (Uses):				
7901	Refunding Bonds Issued	-	8,239,742	-
7911	Capital-Related Debt Issued (Regular Bonds)	-	-	139,560,258
7912	Sale of real or personal property	1,401,526	451,706	-
7913	Proceeds from leases	507,104	-	-
7916	Premium or Discount On Issuance Of Bonds	-	910,309	4,625,179
8949	Other (Uses)	-	(5,535,150)	-
7080	Total Other Financing Sources (Uses)	1,908,630	4,066,607	144,185,437
1200	Net Change In Fund Balances	2,572,232	4,701,732	85,511,120
0100	Fund Balance - September 1 (Beginning)	44,642,860	4,960,575	106,747,744
3000	Fund Balance - August 31 (Ending)	\$ 47,215,092	\$ 9,662,307	\$ 192,258,864

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit C-3

Page 2 of 2

Data Control Codes		Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
5700	Local and Intermediate Sources	\$ 1,730,392	\$ 60,845,556
5800	State Program Revenues	505,880	31,691,698
5900	Federal Program Revenues	13,601,103	15,071,537
5020	Total Revenues	15,837,375	107,608,791
Expenditures			
Current:			
0011	Instruction	5,331,021	47,004,855
0012	Instruction Resources and Media Services	3,533	189,717
0013	Curriculum and Staff Development	1,354,982	2,853,033
0021	Instructional Leadership	33,540	381,612
0023	School Leadership	25,366	5,211,877
0031	Guidance, Counseling and Evaluation Services	276,912	2,796,952
0032	Social Work Services	4,320	224,106
0033	Health Services	24,899	909,543
0034	Student Transportation	61,650	3,709,409
0035	Food Services	5,871,168	5,871,168
0036	Extracurricular Activities	715,854	3,055,189
0041	General Administration	-	2,642,643
0051	Facilities Maintenance and Operations	217,084	8,871,590
0052	Security and Monitoring Services	210,520	893,162
0053	Data Processing Services	-	909,886
Debt Service:			
0071	Principal on Long-Term Debt	-	4,136,540
0072	Interest on Long-Term Debt	-	10,030,474
0073	Bond Issuance Costs and Fees	-	1,268,230
Capital Outlay:			
0081	Facilities Acquisition and Construction	-	61,853,991
Intergovernmental:			
0095	Payments To Juvenile Justice Alt. Ed. Prgm.	-	510
0099	Other Intergovernmental Charges	-	463,368
6030	Total Expenditures	14,130,849	163,277,855
1100	Excess (Deficiency) of Revenues Over Expenditures	1,706,526	(55,669,064)
Other Financing Sources (Uses):			
7901	Refunding Bonds Issued	-	8,239,742
7911	Capital-Related Debt Issued (Regular Bonds)	-	139,560,258
7912	Sale Of Real Or Personal Property	-	1,853,232
7913	Proceeds From Capital Lease	-	507,104
7916	Premium or Discount On Issuance Of Bonds	-	5,535,488
8949	Other (Uses)	-	(5,535,150)
7080	Total Other Financing Sources (Uses)	-	150,160,674
1200	Net Change In Fund Balances	1,706,526	94,491,610
0100	Fund Balance - September 1 (Beginning)	1,828,165	158,179,344
3000	Fund Balance - August 31 (Ending)	\$ 3,534,691	\$ 252,670,954

WILLIS INDEPENDENT SCHOOL DISTRICT**Exhibit C-4**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2022**

**Data
Control
Codes**

Net Change in Fund Balances - Total Governmental Funds \$ 94,491,610

Amounts reported for governmental activities in the statement of activities (B-1) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

1	Capital outlay recognized as capital asset additions	63,133,568
2	Depreciation and amortization expense recognized for capital assets	(6,958,620)
3	Net effect of other retirements and adjustments to capital assets	(1,017,625)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,262,509
5	Repayment of long-term debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	
6	Repayment of principal on bonds	4,132,495
7	Proceeds from issuance of capital-related bonds	(139,560,258)
8	Proceeds from issuance of refunding bonds	(8,239,742)
9	Premium issued on regular bonds	(5,535,488)
10	Payments to refunding escrow agent	5,535,150
11	Lease proceeds recognized as a lease liability	(507,104)
12	Accreted interest on capital appreciation bonds	1,831,836
13	Principal payments on lease liability	4,245

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

14	Increase in interest payable not recognized in the fund statements	(588,002)
15	Amortization of premium/discount	1,400,209
16	Amortization of deferred charge on refunding	268,393
17	Changes in net pension liabilities and related deferred outflows and inflows of resources	1,165,737
18	Changes in net OPEB liabilities and related deferred outflows and inflows of resources	1,087,220
19	Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2).	(197,681)

Change in Net Position of Governmental Activities \$ 11,708,452

WILLIS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****PROPRIETARY FUNDS****August 31, 2022****Exhibit D-1**

	Business-type Activity	Governmental Activities
	Enterprise Fund	Total
	Early Bird Child Care	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	699,860	\$ 3,239,168
Due from other funds		400
Prepaid items	404	66,018
Total current assets	700,264	3,305,586
Total Assets	700,264	3,305,586
Liabilities		
Accounts Payable	-	340,097
Due to Other Funds	4	
Accrued Expenses	88	685,394
Unearned Revenue	11,636	
Total Liabilities	11,728	1,025,491
Net Position		
Unrestricted	688,536	2,280,095
Total Net Position	\$ 688,536	\$ 2,280,095

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2022

Exhibit D-2

	Business-type Activities	Governmental Activities
	Enterprise Fund	Total
	Early Bird Child Care	Internal Service Funds
Operating Revenues		
Charges for services	107,482	
Contributions from employer	-	6,753,346
Total Operating Revenues	<u>107,482</u>	<u>6,753,346</u>
Operating Expenses		
Payroll Costs	65,309	-
Purchased And Contracted Services	-	165,441
Supplies and Materials	3,663	20,425
Other Operating Costs	4,358	
Claims Expense And Other Operating Expenses	-	6,765,161
Total Operating Expenses	<u>73,330</u>	<u>6,951,027</u>
Operating Income (Loss)	<u>34,152</u>	<u>(197,681)</u>
Nonoperating Revenues (Expenses)		
Transfers in	-	500,000
Transfers out	-	(500,000)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>
Change in Net Position	34,152	(197,681)
Net Position (Deficit) - September 1 (Beginning)	<u>654,384</u>	<u>2,477,776</u>
Net Position (Deficit) - August 31 (Ending)	<u>\$ 688,536</u>	<u>\$ 2,280,095</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2022

Exhibit D-3

	Business-type Activities	Governmental Activities
	Enterprise Fund	Total
	Early Bird Child Care	Internal Service Funds
Cash Flows from Operating Activities		
Cash Received from User Charges	\$ 107,482	\$ 6,753,346
Cash payments for insurance claims	-	(6,657,638)
Cash payments for other operating expenses	(62,006)	(123,469)
Net Cash Provided by (Used for) Operating Activities	45,476	(27,761)
Cash Flows from Investing Activities		
Sale of investments	-	1,700,598
Net cash Provided by (Used for) investing activities	-	1,700,598
Cash Flows from Non-Capital Financing Activities		
Transfers in	-	500,000
Transfers out	-	(500,000)
Net Cash Provided by (Used for) Non-Capital Financing Activities	-	-
Net Increase in Cash and Cash Equivalents	45,476	1,672,837
Cash and Cash Equivalents at Beginning of Year	654,384	1,566,331
Cash and Cash Equivalents at End of Year	\$ 699,860	\$ 3,239,168
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities		
Operating Income (Loss)	\$ 34,152	\$ (197,681)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Change in Assets and Liabilities:		
Increase (decrease) in due from other funds	4	(400)
Increase (decrease) in prepaid items	(404)	(66,018)
Decrease (increase) in accounts payable	-	128,815
Decrease (increase) in accrued liabilities	88	107,523
Decrease (increase) in unearned revenue	11,636	
Net Cash Provided by (Used for) Operating Activities	\$ 45,476	\$ (27,761)

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
August 31, 2022

Exhibit E-1

	Custodial Fund
	<u>Student Activity</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 109,545
Investments - Current	<u>6,520</u>
Total Assets	<u>116,065</u>
Liabilities	
Current Liabilities:	
Accounts payable	<u>-</u>
Total Liabilities	<u>-</u>
Net Position	
Restricted for student activities	<u><u>\$ 116,065</u></u>

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2022

Exhibit E-2

	Custodial Fund Student Activity
Additions	
Student club contributions	\$ 101,086
Total Additions	<u>101,086</u>
Deductions	
Payments for student activities	<u>93,704</u>
Total Deductions	<u>93,704</u>
Change in net position	7,382
Net Position - Beginning	<u>108,683</u>
Net Position - Ending	<u>\$ 116,065</u>



Note 1 - Summary of Significant Accounting Policies

The Willis Independent School District (the "District") is an independent public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by the registered voters of the District and has fiscal accountability over all activities within the jurisdiction of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement of Auditing Standards of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The following is a summary of the most significant accounting policies.

A. Reporting Entity

The District's Board has responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgement for the lawfulexercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's 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 Willis Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, 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 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 a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to or due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to or due from on the government-wide Statement of Net Position.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is 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 are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "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 unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The District reports the following major governmental funds:

- *General Fund* - The District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Debt Service Fund* - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
- *Capital Projects Fund* - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Note 1 - Summary of Significant Accounting Policies (continued)

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

Additionally, the District reports the following fund type:

Governmental Funds:

- *Special Revenue Funds* - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

- *Enterprise Funds* - The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has one enterprise fund.
- *Internal Service Funds* - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has two internal service funds: Health Insurance and the Worker's Compensation Funds.

Fiduciary Fund:

- *Custodial Fund* - The District accounts for resources held for others in a custodial fund. This fund uses the economic resources measurement focus and accrual basis. The District's Custodial Fund is the Student Activity Fund.

D. Implementation of New Accounting Standards

GASB Statement No. 87 *Leases* was issued in June 2017 and was effective for periods beginning after June 15, 2021. This Statement established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District has evaluated the effects of this Statement and has determined that this Statement does impact the financial statements. The District has incorporated such leases into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures.

GASB Statement No. 89 *Accounting for Interest Cost Incurred before the end of a Construction Period*, was issued in June 2018 and was effective for periods beginning after December 15, 2020. This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost was incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement should be handled prospectively. The District has evaluated the effects of this Statement and has determined that it does not impact the financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Implementation of New Accounting Standards (continued)

GASB Statement No. 93 *Replacement of Interbank Offered Rates* was issued in June 2020 and had various effective dates. The Statement establishes accounting and financial reporting requirements related to the replacement of the interbank offered rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. During the current fiscal year paragraphs 13 and 14 were effective and pertained to lease cations. The District has evaluated the effects of this Statement and has determined that it does not impact its financial statements.

Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32 was issued in June 2020. This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. The Statement will also enhance (1) information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for periods beginning after June 15, 2021. The District has evaluated the effects of this standard and has determined that this Statement does not impact to the financial statements.

E. Deposits and Investments

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments, with maturity of three months or less when purchased, to be cash equivalents. For cash management purposes, the District transfers balances to either a money market mutual or an externally pooled investment account. The cash is transferred back to the District as needed.

Investments consist primarily of U.S. government agency securities, commercial paper, and municipal bonds. The District's investments are carried at fair value based on quoted market prices at year end, in accordance with U.S. generally accepted accounting principles. Investments having a maturity of three months or less are reported as cash and cash equivalents. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

F. Receivables and Payables

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 on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

G. Inventories and Prepaid Items

Inventories consisting of supplies and materials are stated at cost (average cost method) and they include consumable custodial, maintenance, transportation, instructional and office supplies. Inventories of governmental funds are recorded as expenditures when the supplies and materials are used or consumed (consumption method) rather than when purchased. Inventories of food commodities inventory are recorded at fair market value supplied by the Texas Department of Agriculture on the date received. Commodity inventory items are recorded as expenditures when distributed to individual campuses and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method of accounting.

H. Capital Assets

Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 40
Buildings and improvements	20 - 40
Vehicles	10
Office Equipment	5 - 25
Computer Equipment	5 - 25
Right-to Use Assets	5-7

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable is reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (continued)

J. Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has four items that qualify for reporting in this category:

- *Deferred outflows of resources for refunding* - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- *Deferred outflows of resources for pension* - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred outflows of resources for other post-employment benefits (OPEB)* - Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of net OPEB liabilities. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on plan investments will be amortized over a closed five-year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the plan.

Note 1 - Summary of Significant Accounting Policies (continued)

J. Deferred Outflows/Inflows of Resources (continued)

A *deferred inflow of resources* is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- *Deferred inflows of resources for unavailable revenues* - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources on the fund financial statements.
- *Deferred gain on refunding* - Reported in the government-wide statement of net position, this deferred gain results from the difference in the carrying value of refunded debt exceeding its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- *Deferred inflows of resources for pension* - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred inflows of resources for other post-employment benefits (OPEB)* - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions, 2) differences between expected and actual actuarial experiences, and 3) changes in the District's proportional share of net OPEB liabilities. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the plan.

K. Pension

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

L. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Note 1 - Summary of Significant Accounting Policies (continued)

M. Fund Balance Classifications

The fund balance in governmental funds has been classified as follows to describe the nature and relative strength of the spending constraints:

- *Non-spendable fund balance* - Represents amounts that are not in spendable form, such as inventory and prepaids, or are required to be maintained intact.
- *Restricted fund balance* - Represents amounts constrained to specific purposes by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation.
- *Committed fund balance* - Represents amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, i.e., Board of Trustees. To be reported as committed, amounts cannot be used for any other purpose unless the District's Board of Trustees approves the changes by Board Resolution.
- *Assigned fund balance* - Represents amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board of Trustees has retained this authority.
- *Unassigned fund balance* - Represents amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District uses the restricted assets first whenever they will have to be returned if they are not used.

N. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the Financial Accountability System Resource Guide. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.

O. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (continued)

P. Stewardship, Compliance, and Accountability

Budgetary Data

The Board of Trustees adopts an appropriated budget for the General Fund, Debt Service Fund, and the Food Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds and then compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in the Required Supplementary Information and the Debt Service Fund and the Food Service Fund Budget reports are presented in Exhibits J-3 and J-2, respectively.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The appropriated budgets are prepared by fund and function. Once the budgets have been approved, they can only be amended at the fund and function level by approval of a majority of the members of the Board. 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. Within each fund-level budget, campus and district leaders are assigned expenditure budgets which they plan and control at the function/object level. All budget appropriations lapse at year end. Increasing or decreasing any one of the functional spending categories, or revenue object accounts and other resources require the approval of the Board. The District made several supplemental budgetary revisions throughout the year, primarily in the general fund.

Note 2 - Deposits and Investments

A. Cash and Cash Equivalents

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. Since the district complies with this law, it has no custodial credit risk for deposits.

Note 2 - Deposits and Investments (continued)

B. Investments

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 for the portfolio, (8) investment staff quality and capabilities, (9) and 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 and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas

Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Willis Independent School District is in substantial compliance with the requirements of the Act and with local policies. Additional policies and contractual provisions governing investments for Willis Independent School District are specified below:

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2022, the district's investments were rated AAA.

Custodial Credit Risk for Investments: To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. 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 does not limit the amount of the portfolio that can be invested in any one investment vehicle. However, the District invests 99% of its funds in local government investment pools.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the District does not have a formal investment policy that limits investment maturities as means of managing exposure to fair value losses arising from increasing interest rates.

Note 2 - Deposits and Investments (continued)

B. Investments (continued)

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of August 31, 2022, the District's cash and investment balances, the weighted average maturity, and the credit ratings of these investments were as follows:

	<u>Carrying Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Governmental Activities			
Cash and deposits	<u>\$ 7,824,731</u>	N/A	N/A
Investment Pools			
Local Government Investment Pools			0%
TexPool	417	24	
Texas CLASS	156,929,972	18	AAA
TexStar	2,089,768	18	AAA
Lone Star Government Overnight Fund	92,534,121	18	AAA
Municipal Bonds	838,450	337	
US Treasury Securities	<u>1,221,742</u>	478	
Total Investments	<u>253,614,470</u>		
Total Governmental Activities	<u>261,439,201</u>		
Business-type Activities:			
Cash and deposits	<u>699,860</u>	N/A	N/A
Total Business-type Activities	<u>699,860</u>		
Fiduciary Funds			
Cash and Deposits	<u>\$ 109,545</u>	N/A	N/A
Investments	<u>6,520</u>		
Total Fiduciary Funds	<u>116,065</u>		
Total	<u>\$ 262,255,126</u>		
Investment earnings	\$1,123,687		

Note 3 - Receivables and Unearned Revenues

Receivables as of August 31, 2022, for the District's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Governmental activities					
Property Taxes	\$ 2,461,287	\$ 824,521	\$ -	\$ -	\$ 3,285,808
Due from other governments	5,381,790	6,563	10,000	977,410	6,375,763
Gross receivables	7,843,077	831,084	10,000	977,410	9,661,571
Less: Allowance for doubtful accounts	(17,210)	(5,924)	-	-	(23,134)
Net total governmental activities	7,825,867	825,160	10,000	977,410	9,638,437
Net total receivables	<u>\$ 7,825,867</u>	<u>\$ 825,160</u>	<u>\$ 10,000</u>	<u>\$ 977,410</u>	<u>\$ 9,638,437</u>

Unearned revenue at year end consisted of the following:

	Unearned Revenue
General fund - Season Tickets	263,564
Special revenue - Grants	56,129
Total	<u>\$ 319,693</u>

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." The District did not make any transfers for the fiscal year ended August 31, 2022.

As of August 31, 2022, the District's interfund balances were as follows:

Governmental Activities	Interfund Receivable	Interfund Payable	Net
General Fund	\$ 293,850	\$ 92,594	\$ 201,256
Debt Service Fund	92,194	-	92,194
Special Revenue Fund	500	294,346	(293,846)
Internal Service Funds	400		400
Business-type Activities			-
Enterprise Fund		4	(4)
Total	<u>\$ 386,944</u>	<u>\$ 386,944</u>	<u>\$ -</u>

Note 5 - Capital Assets

Capital asset activity for the governmental activities of the District for the year ended August 31, 2022, are as follows:

	Restated Balance		(Transfers, Adjustments, and Retirements)	Balance
	September 01, 2021	Additions		August 31, 2022
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 12,919,772	\$ -	\$ (782,446)	\$ 12,137,326
Construction in progress	30,431,021	50,656,869	(29,664,301)	51,423,589
Total Capital assets, not being depreciated	<u>43,350,793</u>	<u>50,656,869</u>	<u>(30,446,747)</u>	<u>63,560,915</u>
Capital assets, being depreciated:				
Buildings & Improvements	205,146,706	11,324,723	29,664,301	246,135,730
Furniture & Equipment	12,862,673	644,871	(1,164,194)	12,343,350
Right-to-Use Asset	-	507,104	-	507,104
Total Capital assets, being depreciated	<u>218,009,379</u>	<u>12,476,698</u>	<u>28,500,107</u>	<u>258,986,184</u>
Less accumulated depreciation/amortization for:				
Buildings & Improvements	(64,630,030)	(6,190,272)	(235,179)	(71,055,481)
Furniture & Equipment	(8,323,948)	(759,896)	1,164,194	(7,919,650)
Right-to-Use Asset	-	(8,452)	-	(8,452)
Total Accumulated depreciation/amortization	<u>(72,953,978)</u>	<u>(6,958,620)</u>	<u>929,015</u>	<u>(78,983,583)</u>
Governmental Capital Assets	<u>\$ 188,406,194</u>	<u>\$ 56,174,947</u>	<u>\$ (1,017,625)</u>	<u>\$ 243,563,516</u>

Depreciation/amortization expense of the governmental activities was charged to the functions/programs as follows:

Instruction	\$ 3,081,483
Instructional resources and media services	136,797
Curriculum and staff development	81
Instructional leadership	461
School leadership	400,506
Guidance, counseling and evaluation services	11,254
Health services	26,658
Student transportation	571,809
Food services	239,945
Extracurricular activities	1,335,584
General administration	309,907
Facilities maintenance and operations	786,998
Security and monitoring services	36,947
Data processing services	20,190
Total Governmental Activities	<u>\$ 6,958,620</u>

Note 5 - Capital Assets (continued)

Commitments

The District has active construction projects as of August 31, 2022. The projects include the construction and equipment of school facilities. At year-end, the District's commitments totaled approximately \$8.5 million.

Project	Remaining Commitment
Pre-K Center	\$ 882,787
Lynn Lucas Middle School Additions	1,212,390
Gym Additions	50,314
Roofing Replacement Projects	2,314,884
Athletic Auxiliary Field	3,002,586
C.C. Hardy Chiller Replacement	708,115
Willis High School Fire Alarm	173,967
Brabham Middle School Chiller	1,050
Land Development	17,721
Parmely Central Plant	144,763
Willis High School Boiler	7,597
	<u>\$ 8,516,174</u>

Note 6 - Long-Term Liabilities

Changes in Long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds, par	\$ 234,242,293	\$ 147,800,000	\$ (9,582,293)	\$ 372,460,000	6,180,000
Accreted interest on capital appreciation bonds	1,831,936		(1,831,936)	-	
Issuance premiums	15,132,460	5,535,488	(1,485,470)	19,182,478	
Total bonds payable	<u>251,206,689</u>	<u>153,335,488</u>	<u>(12,899,699)</u>	<u>391,642,478</u>	<u>6,180,000</u>
Lease liability	-	507,104	(4,245)	502,859	95,675
Net pension liability	19,596,125	611,515	(10,591,201)	9,616,439	-
Net OPEB liability	19,259,034	2,504,480	(2,215,153)	19,548,361	-
Total Governmental Activities	<u>\$ 290,061,848</u>	<u>\$ 156,958,587</u>	<u>\$ (25,710,298)</u>	<u>\$ 421,310,137</u>	<u>\$ 6,275,675</u>

Note 6 - Long-Term Liabilities (continued)

General Obligation Bonds

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in general long-term debt for the year ended August 31, 2022 is as follows:

Description	Original Issuance		Balance 9/1/21	Increase	Decrease	Balance 8/31/22	Due in One Year
	Amount	Interest Rate (%)					
CAB Series 1998 Bonds	16,275,076	5.275%	\$ 282,293	\$ -	\$ (282,293)	\$ -	\$ -
Unlimited Tax Refunding Bonds, Series 2012	6,160,000	2.00-3.25%	5,495,000	-	(5,495,000)	-	-
Unlimited Tax Refunding Bonds, Series 2015	27,220,000	2.00-5.00%	15,045,000	-	(1,660,000)	13,385,000	2,490,000
Unlimited Tax School Building and Refunding Bonds, Series 2016	71,090,000	2.00-5.00%	70,180,000	-	(315,000)	69,865,000	920,000
Unlimited Tax School Building and Refunding Bonds, Series 2017	39,885,000	2.00-5.00%	38,895,000	-	(115,000)	38,780,000	375,000
Unlimited Tax Refunding Bonds, Series 2019	7,610,000	4.00-5.00%	7,165,000	-	(1,660,000)	5,505,000	1,745,000
Unlimited Tax Building Bonds, Series 2021	97,180,000	2.00-4.00%	97,180,000	-	-	97,180,000	650,000
Unlimited Tax Refunding Bonds, Series 2021	4,755,000	3.00-4.00%		4,755,000	(55,000)	4,700,000	-
Unlimited Tax Building Bonds, Series 2022	143,045,000	4.00-5.00%		143,045,000	-	143,045,000	-
			<u>234,242,293</u>	<u>147,800,000</u>	<u>(9,582,293)</u>	<u>372,460,000</u>	<u>6,180,000</u>
Other District Obligations:							
Premium on Bonds			15,132,459	5,535,488	(1,485,469)	19,182,478	-
Total Other Obligations			<u>15,132,459</u>	<u>5,535,488</u>	<u>(1,485,469)</u>	<u>19,182,478</u>	<u>-</u>
Total District Obligations			<u>\$ 249,374,752</u>	<u>\$ 153,335,488</u>	<u>\$ (11,067,762)</u>	<u>\$ 391,642,478</u>	<u>\$ 6,180,000</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2022. Debt service requirements for bonds are as follows:

Year Ending August 31	Principal	Interest	Totals
2023	\$ 6,180,000	\$ 14,662,276	\$ 20,842,276
2024	7,540,000	14,104,482	21,644,482
2025	7,865,000	13,779,582	21,644,582
2026	8,235,000	13,409,607	21,644,607
2027	8,630,000	13,015,082	21,645,082
2028-2032	50,390,000	58,881,509	109,271,509
2033-2037	56,840,000	47,797,580	104,637,580
2038-2042	66,620,000	36,042,774	102,662,774
2043-2047	75,170,000	22,873,558	98,043,558
2048-2052	84,990,000	8,576,122	93,566,122
	<u>\$ 372,460,000</u>	<u>\$ 243,142,572</u>	<u>\$ 615,602,572</u>

On October 14, 2021, the District issued Unlimited Tax Refunding Bonds, Series 2021 in the amount \$4,755,000. On July 27, 2022, the District issued Unlimited Tax School Building Bonds, Series 2022 in the amount of \$143,045,000. The 2021 and 2022 bonds were issued at a premium of \$910,308 and \$4,625,179. The refunding bonds were placed in escrow in the amount of \$5,535,150. The carrying value of the bonds was \$5,888,930. A deferred loss on refunding of \$430,973 was recorded as result of the refunding. The present value saving resulting from the refunding totaled \$576 thousand.

Prior Year's Refunding of Long Term Debt

In prior years, the District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At August 31, 2022, there was \$5,450,000 in outstanding defeased debt.

Note 6 - Long-Term Liabilities (continued)

Lease Liability

The District entered into a lease on August 1, 2022 with a present value of \$507,104. The borrowing rate was 3 percent and will terminate in 60 months.

The principal and interest payments for future fiscal years are as follows:

Year Ending			
August 31	Principal	Interest	Totals
2023	\$ 95,675	\$ 13,669	\$ 109,344
2024	98,585	10,759	109,344
2025	101,583	7,761	109,344
2026	104,673	4,671	109,344
2027	102,343	1,487	103,830
	<u>\$ 502,859</u>	<u>\$ 38,347</u>	<u>\$ 541,206</u>

Note 7 – Revenues from Local, Intermediate, and Out-of-State Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	Nonmajor Enterprise Fund
Property Taxes	\$ 42,825,842	\$ 14,706,549	\$ -	\$ -	\$ 57,532,391	\$ -
Food Service Activity	-	-	-	716,657	716,657	-
Rent	43,555	-	-	-	43,555	-
Extracurricular Activities	114,812	-	-	-	114,812	-
Insurance Recovery	4,054	-	-	-	4,054	-
Investment Income	301,221	-	755,446	-	1,056,667	-
Local Grants	300,154	-	-	1,013,735	1,313,889	-
Other	13,049	50,482	-	-	63,531	107,482
Total	<u>43,602,687</u>	<u>14,757,031</u>	<u>755,446</u>	<u>1,730,392</u>	<u>60,845,556</u>	<u>107,482</u>

Note 8 - Commitments under Noncapitalized Leases

The District has various operating lease agreements for copiers. Rental expenditures recognized by the District for the fiscal year are \$310,600.

Note 9 - Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/TRS_Documents/acfr-2021.pdf, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Note 9 - Defined Benefit Pension Plan (continued)

Contributions (continued)

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

	Contribution Rates	
	Plan Fiscal Year	
	2022	2021
Member (Employee)	8.00%	7.70%
Non-employer contributing agency (State)	7.75%	7.50%
District	7.75%	7.50%

	Fiscal Year 2022
District Contributions	\$ 2,076,726
Employee Contributions	4,256,813
Non-employer Contributing Entity (State)	2,728,636

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Note 9 - Defined Benefit Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

^ Source: p.87 of 2021 TRS ACFR

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. These assumptions are further described the 2020 TRS ACFR, which includes actuarial valuation report dated November 14, 2019.

Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent. The projection of flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

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

Note 9 - Defined Benefit Pension Plan (continued)

Discount Rate (continued)

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021 are summarized below:

Asset Class¹	Target Allocation²	Long-Term Expected Geometric Real Rate of Return³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return	0.00%	1.10%	0.00%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources & Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity	8.00%	2.80%	0.28%
Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag ⁴			-0.95%
Expected Return	100.00%		6.90%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the fiscal year 2021 policy model.

³ Capital Market Assumptions come from Aon Hewitt as of August 31, 2021.

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	Discount Rate		
	1% Decrease 6.25%	Current 7.25%	1% Increase 8.25%
District's proportional share of the net pension liability	\$ 21,013,445	9,616,439	\$ 370,007

Note 9 - Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At August 31, 2021, the District reported a liability of \$9,616,439 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 9,616,439
State's proportionate share that is associated with the District	15,472,064
Total	<u>\$ 25,088,503</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2021, the District's proportion of the collective net pension liability was 0.0378% which was an increase of 0.0012% from its proportion measured as of August 31, 2020.

All future statutorily required contributions will be made from the General Fund and Special Revenue funds.

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized pension expense of \$910,277. The District also recognized an additional on-behalf revenue and expense of \$61,855 representing for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,093	\$ (677,005)
Changes in assumptions	3,399,223	(1,481,770)
Net difference between projected and actual earnings on pension plan investments	-	(8,063,259)
Changes in proportion and differences between District contributions and proportionate share of contributions	952,888	(1,096,004)
District contributions subsequent to the measurement date	2,076,726	-
Total	<u>\$ 6,444,930</u>	<u>\$ (11,318,038)</u>

Note 9 - Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Deferred outflows of resources resulting from District contributions subsequent to the measurement date in the amount of \$2,076,726 will be recognized as a reduction of the net pension liability in the year ended August 31, 2022. The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31,	Pension Expense Amount
2023	\$ (1,129,103)
2024	(1,209,078)
2025	(1,998,429)
2026	(2,567,916)
2027	(53,597)
Thereafter	8,289
	<u>\$ (6,949,834)</u>

Note 10 - Defined Other Post-Employment Benefit Plans

Plan Description

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

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/TRS_Documents/acfr-2021.pdf or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Benefits Provided

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

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

The premium rates for retirees are reflected in the following table.

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2022	2021
Member	0.65%	0.65%
Non-employer contributing agency	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding	1.25%	1.25%

Fiscal Year 2022	
District Contributions	\$ 455,330
Employee Contributions	345,868
Non-employer Contributing Entity (State)	775,501

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Contributions (continued)

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

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

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

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, (f) Wage Inflation, and (g) Expected Payroll Growth.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

Additional Actuarial Methods and Assumptions:

Component	Result
Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	3.05% to 9.05% including inflation
Healthcare Trend Rates	The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.
Election Rates	Normal Retirement: 65 percent participation rate prior to age 65 and 40 percent participation rate after age 65. Pre-65 retirees: 25 percent are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

[^] Source: p.77 of 2021 TRS ACFR

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Discount Rate

A single discount rate of 1.95 percent was used to measure the Total OPEB Liability. There was a decrease of .30 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the nonemployer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds

Discount Rate Sensitivity Analysis

Discount Rate – The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	Discount Rate		
	1% Decrease 0.95%	Current Rate 1.95%	1% Increase 2.95%
District's proportionate share of the Net OPEB Liability	\$ 23,579,827	19,548,361	\$ 16,375,465

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs

At August 31, 2022, the District reported a liability of \$19,548,361 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 19,548,361
State's proportionate share that is associated with District	26,190,447
Total	<u>\$ 45,738,808</u>

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District’s proportion of the Net OPEB Liability was based on the District’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2022, the District’s proportion of the collective Net OPEB Liability was 0.0507%, which there was no increase from its proportionate share measured as of August 31, 2020.

All future statutorily required contributions will be made from the General Fund and Special Revenue Fund.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs (continued)

Healthcare Cost Trend Rates – The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
District's proportionate share of the Net OPEB Liability	\$ 15,833,524	19,548,361	\$ 24,532,748

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

- The discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2022, the District recognized a negative OPEB expense of \$631,008. The District also recognized negative on-behalf expense and revenue of \$966,628 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 841,649	\$ (9,462,774)
Changes in actuarial assumptions	2,165,210	(4,134,116)
Difference between projected and actual investment earnings	21,223	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	428,737	(353,797)
Contributions paid to TRS subsequent to the measurement date	455,331	-
Total	<u>\$ 3,912,150</u>	<u>\$ (13,950,687)</u>

The \$455,331 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending August 31, 2022.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs (continued)

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

Year ended August 31:	OPEB Expense Amount
2023	\$ (2,037,949)
2024	(2,038,428)
2025	(2,038,297)
2026	(1,523,737)
2027	(827,102)
Thereafter	(2,028,355)
	<u>\$ (10,493,868)</u>

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on-behalf of the District were \$199,268, \$216,547, and \$166,184, respectively. The information for the year ended August 31, 2022 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 11 - Accumulated Unpaid Vacation and Sick Leave Benefits

The District does not accrue unpaid sick leave benefits.

Note 12 - Committed Fund Balance

The District's Board of Trustees has committed \$20 million in the General Fund for the following purposes:

Project/Item	Amount
School Buses	\$600,000
Campus Improvement Projects	4,610,000
Campus Security Improvements	1,000,000
Stadium Enhancements	500,000
Enlarge Parking Lot Transportation	450,000
Renovations to WHS Auxiliary Field	3,000,000
Emergency Funds for Utility Costs	400,000
Future Insurance Claims	2,000,000
Purchase of Future School Site(s)	7,440,000
Total	<u><u>\$20,000,000</u></u>

The District commits 100% of its campus activities fund balance within the special revenue fund.



REQUIRED SUPPLEMENTARY INFORMATION

WILLIS INDEPENDENT SCHOOL DISTRICT
Exhibit G-1
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ORIGINAL BUDGET, AMENDED FINAL (GAAP BASIS) AND ACTUAL - GENERAL FUND
For the Year Ended August 31, 2022**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Local revenues	\$ 43,282,891	\$ 43,282,891	\$ 43,602,687	\$ 319,796
State program revenues	28,827,315	30,239,431	31,017,162	777,731
Federal program revenues	1,031,292	1,131,292	1,470,434	339,142
Total Revenues	73,141,498	74,653,614	76,090,283	1,436,669
Expenditures				
Current:				
Instruction	42,840,947	41,774,647	41,673,834	100,813
Instructional resources and media services	180,936	195,936	186,184	9,752
Curriculum and staff development	1,626,439	1,628,439	1,498,051	130,388
Instructional leadership	265,486	382,033	348,072	33,961
School leadership	4,896,550	5,216,550	5,186,511	30,039
Guidance, counseling and evaluation services	2,536,642	2,646,642	2,520,040	126,602
Social work services	229,166	255,912	219,786	36,126
Health services	887,222	912,222	884,644	27,578
Student transportation	3,862,154	4,247,979	3,647,759	600,220
Food services				
Extracurricular activities	1,913,828	2,412,342	2,339,335	73,007
General administration	2,515,532	2,690,531	2,642,643	47,888
Facilities maintenance and operations	9,270,500	9,170,501	8,654,506	515,995
Security and monitoring services	859,649	713,158	682,642	30,516
Data processing services	581,995	1,033,995	909,886	124,109
Community services				
Debt Service:				
Principal on long-term debt	-	30,000	4,245	25,755
Capital Outlay:				
Facilities acquisition and construction	-	5,000,000	3,564,665	1,435,335
Intergovernmental:				
Payments to Juvenile Justice Alt. Ed. Prgm.	12,000	12,000	510	11,490
Other governmental charges	486,000	486,000	463,368	22,632
Total Expenditures	72,965,046	78,808,887	75,426,681	3,382,206
Excess (deficiency) of revenues over expenditures	176,452	(4,155,273)	663,602	4,818,875
Other Financing Sources (Uses):				
Sale of real or personal property	-		1,401,526	1,401,526
Proceeds from leases	-	500,000	507,104	7,104
Total other financing sources (uses)	-	500,000	1,908,630	1,408,630
Net change in fund balances	176,452	(3,655,273)	2,572,232	6,227,505
Fund Balances - Beginning	44,642,860	44,642,860	44,642,860	-
Fund Balances - Ending	\$ 44,819,312	\$ 40,987,587	\$ 47,215,092	\$ 6,227,505

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Eight Measurement Years

Exhibit G-2

	2022	2021	2020	2019
District's proportion of the net pension liability	0.0378%	0.0366%	0.0403%	0.0393%
District's proportionate share of the net pension liability	\$ 9,616,439	\$ 19,596,125	\$ 20,936,137	\$ 21,614,753
State's proportionate share of the net pension liability associated with the District	15,472,064	32,666,379	29,856,517	32,061,491
Total	\$ 25,088,503	\$ 52,262,504	\$ 50,792,654	\$ 53,676,244
District's covered payroll (for Measurement Year)	\$ 48,055,226	\$ 46,456,111	\$ 43,699,281	\$ 41,678,787
District's proportionate share of the net pension liability as a percentage of covered payroll	20.01%	42.18%	47.91%	51.86%
Plan fiduciary net position as a percentage of the total pension liability *	88.79%	75.57%	57.24%	73.74%

	2018	2017	2016	2015
District's proportion of the net pension liability	0.03901%	0.03620%	0.03790%	0.02447%
District's proportionate share of the net pension liability	\$ 12,471,763	\$ 13,678,697	\$ 13,395,838	\$ 6,535,394
State's proportionate share of the net pension liability associated with the District	18,887,011	22,386,698	21,163,850	18,665,631
Total	\$ 31,358,774	\$ 36,065,395	\$ 34,559,688	\$ 25,201,025
District's covered payroll (for Measurement Year)	\$ 39,972,432	\$ 37,322,171	\$ 35,786,146	\$ 34,840,688
District's proportionate share of the net pension liability as a percentage of covered payroll	31.20%	36.65%	37.43%	18.76%
Plan fiduciary net position as a percentage of the total pension liability *	82.17%	78.00%	78.43%	83.25%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.
Ten years of data is not available.

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Eight Fiscal Years Ended August 31

Exhibit G-3

	2022	2021	2020	2019
Contractually required contributions	\$ 2,076,726	\$ 1,612,161	\$ 1,501,458	\$ 1,408,633
Contributions in relation to the				
contractually required contributions	2,076,726	(1,612,161)	(1,501,458)	(1,408,633)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 53,245,711	\$ 48,055,226	\$ 46,456,111	\$ 43,699,281
Contributions as a percentage of covered payroll	3.90%	3.35%	3.23%	3.22%
	2018	2017	2016	2015
Contractually required contributions	\$ 1,322,974	\$ 1,278,273	\$ 1,150,103	\$ 897,108
Contributions in relation to the				
contractually required contributions	(1,322,974)	(1,278,273)	(1,150,103)	(897,108)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 41,678,787	\$ 39,972,432	\$ 37,322,171	\$ 35,786,146
Contributions as a percentage of covered payroll	3.17%	3.20%	3.08%	2.51%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end.
Ten years of data is not available.

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Five Measurement Years

Exhibit G-4

	2022	2021	2020	2019
District's proportion of the net OPEB liability	0.0507%	0.0506623%	0.0513837%	0.0505885%
District's proportionate share of the net OPEB liability	\$ 19,548,361	\$ 19,259,034	\$ 24,299,982	\$ 25,259,276
State's proportionate share of the net OPEB liability associated with the District	26,190,447	25,879,525	32,289,236	35,134,208
Total	\$ 45,738,808	\$ 45,138,559	\$ 56,589,218	\$ 60,393,484
District's covered payroll (for Measurement Year)	\$ 48,055,226	\$ 46,456,111	\$ 43,699,281	\$ 41,678,787
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	40.68%	41.46%	55.61%	60.60%
Plan fiduciary net position as a percentage of the total OPEB liability *	6.18%	4.99%	2.66%	1.57%
	2018			
District's proportion of the net OPEB liability	0.0503240%			
District's proportionate share of the net OPEB liability	\$ 21,884,017			
State's proportionate share of the net OPEB liability associated with the District	29,772,356			
Total	\$ 51,656,373			
District's covered payroll (for Measurement Year)	\$ 39,972,432			
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	54.75%			
Plan fiduciary net position as a percentage of the total OPEB liability *	0.91%			

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.
Ten years of data is not available.

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Five Fiscal Years Ended August 31

Exhibit G-5

	2022	2021	2020	2019
Contractually required contributions	\$ 455,330	\$ 395,022	\$ 392,913	\$ 364,521
Contributions in relation to the contractually required contributions	455,330	395,022	392,913	364,521
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 53,245,711	\$ 48,055,226	\$ 46,456,111	\$ 43,669,281
Contributions as a percentage of covered payroll	0.86%	0.82%	0.85%	0.83%
	2018			
Contractually required contributions	\$ 349,034			
Contributions in relation to the contractually required contributions	349,034			
Contribution deficiency (excess)	<u>\$ -</u>			
District's covered payroll	\$ 41,678,787			
Contributions as a percentage of covered payroll	0.84%			

* The amounts presented for the fiscal years were determined as of the District's fiscal year end.
Ten years of data is not available.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note 1 - Budget

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the national school breakfast and lunch program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources and uses require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

B. Excess of Expenditures Over Appropriations

For the fiscal year ended August 31, 2021, the District did not exceed appropriations in the functions (the legal level of budgetary control)..

Note 2 - Net Pension Liability and Net OPEB Liability

The following factors significantly affect trends in the amounts reported for the District's proportionate share of the net pension liability and net OPEB liability:

Changes in Actuarial Assumptions and Inputs

Measurement Date	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long- term Expected Rate of Return	Discount Rate
August 31,			
2021	7.25%	7.25%	1.95%
2020	7.25%	7.25%	2.33%
2019	7.25%	7.25%	2.63%
2018	6.91%	7.25%	3.69%
2017	8.00%	8.00%	3.42%
2016	8.00%	8.00%	
2015	8.00%	8.00%	
2014	8.00%	8.00%	

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (continued)

Note 2 - Net Pension Liability and Net OPEB Liability (continued)

Changes in Demographic and Economic Assumptions

For measurement date August 31, 2018 - Net Pension Liability and Net OPEB Liability:

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

For measurement date August 31, 2020 - Net OPEB Liability:

- The participation rate for pre-65 retirees was lowered from 50% to 40%. This change decreased the total OPEB liability.
- The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the total OPEB liability.

OTHER SUPPLEMENTARY INFORMATION

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
Page 1 of 7

		211	224	225	240
Data Control Codes		ESEA, Title I, Pt A - Improving Basic		IDEA B -	
		Ed.	IDEA B - Formula	Preschool	Child Nutrition
Assets					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 2,697,939
1240	Receivables from other governments	108,797	137,734	2,563	370,295
1260	Due from other funds	-	-	-	-
1000	Total Assets	\$ 108,797	\$ 137,734	\$ 2,563	\$ 3,068,234
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 298	\$ 13,491	\$ -	\$ 376,463
2160	Accrued wages payable	10,168	101,523	181	176,337
2170	Due to other funds	40,683	22,720	2,382	3,003
2180	Due to other governments	57,648	-	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	108,797	137,734	2,563	555,803
Fund Balance:					
Restricted:					
3450	Federal/State funds grant restrictions	-	-	-	2,512,431
Committed:					
3545	Campus activities	-	-	-	-
3000	Total Fund Balance	-	-	-	2,512,431
4000	Total Liabilities and Fund Balances	\$ 108,797	\$ 137,734	\$ 2,563	\$ 3,068,234

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
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Data Control Codes		244	255	263	272
		Career and Technical Education	ESEA, Title II, Pt A - Supporting Effective Instruction	ESEA, Title III, Pt A - BIL/ESL	Medicaid Administrative Claiming Program
	Assets				
1110	Cash and cash equivalents	\$ -	\$ 1	\$ 13,687	\$ 198,145
1240	Receivables from other governments	39,242	15,093	8,825	-
1260	Due from other funds	-	-	-	-
1000	Total Assets	<u>\$ 39,242</u>	<u>\$ 15,094</u>	<u>\$ 22,512</u>	<u>\$ 198,145</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	42	45	9,217	-
2170	Due to other funds	38,285	15,049	70	-
2180	Due to other governments	915	-	13,225	-
2300	Unearned revenues	-	-	-	40,143
2000	Total Liabilities	<u>39,242</u>	<u>15,094</u>	<u>22,512</u>	<u>40,143</u>
	Fund Balance:				
	Restricted:				
3450	Federal/State funds grant restrictions	-	-	-	158,002
	Committed:				
3545	Campus activities	-	-	-	-
3000	Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,002</u>
4000	Total Liabilities and Fund Balances	<u>\$ 39,242</u>	<u>\$ 15,094</u>	<u>\$ 22,512</u>	<u>\$ 198,145</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
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		277	282	284	285
Data Control Codes		Coronavirus Relief Fund	ESSER III (ARPA)	IDEA- Part B, Formula (ARPA)	IDEA - Part B, Preschool (ARPA)
	Assets				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from other governments	-	93,071	16,517	1,635
1260	Due from other funds	-	-	-	-
1000	Total Assets	\$ -	\$ 93,071	\$ 16,517	\$ 1,635
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ 10,356	\$ -
2160	Accrued wages payable	-	84,295	-	-
2170	Due to other funds	-	8,776	6,161	1,635
2180	Due to other governments	-	-	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	-	93,071	16,517	1,635
	Fund Balance:				
	Restricted:				
3450	Federal/State funds grant restrictions	-	-	-	-
	Committed:				
3545	Campus activities	-	-	-	-
3000	Total Fund Balance	-	-	-	-
4000	Total Liabilities and Fund Balances	\$ -	\$ 93,071	\$ 16,517	\$ 1,635

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
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		287	288	289	385
Data Control Codes		Education Jobs Fund	Other Federally Funded Special Revenue Funds	Title IV Part A	Visually Impaired State
Assets					
1110	Cash and cash equivalents	\$ -	\$ 1,716	\$ -	\$ -
1240	Receivables from other governments	34,001	-	-	-
1260	Due from other funds	-	-	-	-
1000	Total Assets	\$ 34,001	\$ 1,716	\$ -	\$ -
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	34,001	-	-	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenues	-	1,716	-	-
2000	Total Liabilities	34,001	1,716	-	-
Fund Balance:					
Restricted:					
3450	Federal/State funds grant restrictions	-	-	-	-
Committed:					
3545	Campus activities	-	-	-	-
3000	Total Fund Balance	-	-	-	-
4000	Total Liabilities and Fund Balances	\$ 34,001	\$ 1,716	\$ -	\$ -

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
Page 5 of 7

		392	397	410	428
Data Control Codes		Non-Ed Community Based Support	Advanced Placement Incentive	Instructional Materials Allotment	High School Allotment
Assets					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from other governments	-	-	121,581	-
1260	Due from other funds	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,581</u>	<u>\$ -</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	121,581	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>121,581</u>	<u>-</u>
Fund Balance:					
Restricted:					
3450	Federal/State funds grant restrictions		-	-	-
Committed:					
3545	Campus activities	-	-	-	-
3000	Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,581</u>	<u>\$ -</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
Page 6 of 7

		429	461	498	499
Data Control Codes		Safety & Security Grant	Campus Activity Funds	After School Achievement	Misc. Donations/ Grants
	Assets				
1110	Cash and cash equivalents	\$ 254	\$ 860,962	\$ 4,239	\$ 10,000
1240	Receivables from other governments	28,056	-	-	-
1260	Due from other funds	-	500	-	-
1000	Total Assets	\$ 28,310	\$ 861,462	\$ 4,239	\$ 10,000
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ 25,262	\$ 221	\$ -	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenues	31	-	4,239	10,000
2000	Total Liabilities	25,293	221	4,239	10,000
	Fund Balance:				
	Restricted:				
3450	Federal/State funds grant restrictions	3,017	-	-	-
	Committed:				
3545	Campus activities	-	861,241	-	-
3000	Total Fund Balance	3,017	861,241	-	-
4000	Total Liabilities and Fund Balances	\$ 28,310	\$ 861,462	\$ 4,239	\$ 10,000

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
Page 7 of 7

Data Control Codes		Total Nonmajor Governmental Funds
	Assets	
1110	Cash and cash equivalents	\$ 3,786,943
1240	Receivables from other governments	977,410
1260	Due from other funds	500
1000	Total Assets	\$ 4,764,853
	Liabilities and Fund Balances	
	Liabilities:	
	Current Liabilities:	
2110	Accounts payable	\$ 426,091
2160	Accrued wages payable	381,808
2170	Due to other funds	294,346
2180	Due to other governments	71,788
2300	Unearned revenues	56,129
2000	Total Liabilities	1,230,162
	Fund Balance:	
	Restricted:	
3450	Federal/State funds grant restrictions	2,673,450
	Committed:	-
3545	Campus activities	861,241
3000	Total Fund Balance	3,534,691
4000	Total Liabilities and Fund Balances	\$ 4,764,853

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2

Page 1 of 7

		211	224	225	240
Data Control Codes		ESEA, Title I, Pt A - Improving Basic Ed.	IDEA B - Formula	IDEA B - Preschool	Child Nutrition
Revenues					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 742,042
5800	State Program Revenues	-	-	-	82,335
5900	Federal Program Revenues	1,253,276	1,355,824	26,352	6,624,661
5020	Total Revenues	1,253,276	1,355,824	26,352	7,449,038
Expenditures					
Current:					
0011	Instruction	141,453	1,087,824	26,352	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	1,104,011	-	-	-
0021	Instructional Leadership	-	33,540	-	-
0023	School Leadership	7,812	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	234,460	-	-
0032	Social work services				
0033	Health Services	-	-	-	-
0034	Student Transportation				
0035	Food Services	-	-	-	5,871,168
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration				
0051	Facilities Maintenance and Operations				
0052	Security and Monitoring Services	-	-	-	-
6030	Total Expenditures	1,253,276	1,355,824	26,352	5,871,168
1200	Net change in fund balances	-	-	-	1,577,870
0100	Fund Balance - September 1 (Beginning)	-	-	-	934,561
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 2,512,431

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2

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Data Control Codes		244 Career and Technical Education	255 ESEA, Title II, Pt A - Supporting Effective Instruction	263 ESEA, Title III, Pt A - BIL/ESL	272 Medicaid Administrative Claiming Program
	Revenues				
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	118,112	223,664	85,960	-
5020	Total Revenues	<u>118,112</u>	<u>223,664</u>	<u>85,960</u>	<u>-</u>
	Expenditures				
	Current:				
0011	Instruction	115,612	-	83,163	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	2,500	214,230	2,797	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	9,434	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
6030	Total Expenditures	<u>118,112</u>	<u>223,664</u>	<u>85,960</u>	<u>-</u>
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	158,002
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,002</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2

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		277	282	284	285
Data Control Codes		Coronavirus Relief Fund	ESSER III (ARPA)	IDEA- Part B, Formula (ARPA)	IDEA - Part B, Preschool (ARPA)
Revenues					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	510,278	2,852,415	208,355	1,635
5020	Total Revenues	510,278	2,852,415	208,355	1,635
Expenditures					
Current:					
0011	Instruction	299,758	2,822,447	166,878	1,635
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	4,357	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	5,069	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	32,982	-
0032	Social work services				
0033	Health Services	-	24,899	-	-
0034	Student Transportation			4,138	
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration				
0051	Facilities Maintenance and Operations				
0052	Security and Monitoring Services	210,520	-	-	-
6030	Total Expenditures	510,278	2,852,415	208,355	1,635
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2

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		287	288	289	385
Data Control Codes		Education Jobs Fund	Other Federally Funded Special Revenue Funds	Title IV Part A	Visually Impaired State
Revenues					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	4,690
5900	Federal Program Revenues	61,793	4,182	274,596	-
5020	Total Revenues	61,793	4,182	274,596	4,690
Expenditures					
Current:					
0011	Instruction	39,116	2,328	-	4,690
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	22,677	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	1,854	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student Transportation	-	-	57,512	-
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	217,084	-
0052	Security and Monitoring Services	-	-	-	-
6030	Total Expenditures	61,793	4,182	274,596	4,690
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2

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		392	397	410	428
Data Control Codes		Non-Ed Community Based Support	Advanced Placement Incentive	Instructional Materials Allotment	High School Allotment
Revenues					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	4,320	3,774	382,706	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	4,320	3,774	382,706	-
Expenditures					
Current:					
0011	Instruction	-	1,074	382,246	3,948
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	2,700	460	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	7,715
0032	Social work services	4,320	-	-	-
0033	Health Services	-	-	-	-
0034	Student Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
6030	Total Expenditures	4,320	3,774	382,706	11,663
1200	Net change in fund balances	-	-	-	(11,663)
0100	Fund Balance - September 1 (Beginning)	-	-	-	11,663
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2

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		429	461	498	499
Data Control Codes		Safety & Security Grant	Campus Activity Funds	After School Achievement	Misc. Donations/ Grants
Revenues					
5700	Local and Intermediate Sources	\$ -	\$ 909,965	\$ 78,385	\$ -
5800	State Program Revenues	28,055	-	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	28,055	909,965	78,385	-
Expenditures					
Current:					
0011	Instruction	25,261	54,316	72,920	-
0012	Instructional Resources and Media Services	-	-	3,533	-
0013	Curriculum and Instructional Staff Development	1,250	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	1,197	-	-
0031	Guidance, Counseling and Evaluation Services	1,544	211	-	-
0032	Social work services				
0033	Health Services	-	-	-	-
0034	Student Transportation				
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	713,922	1,932	-
0041	General Administration				
0051	Facilities Maintenance and Operations				
0052	Security and Monitoring Services	-	-	-	-
6030	Total Expenditures	28,055	769,646	78,385	-
1200	Net change in fund balances	-	140,319	-	-
0100	Fund Balance - September 1 (Beginning)	3,017	720,922	-	-
3000	Fund Balance - August 31 (Ending)	\$ 3,017	\$ 861,241	\$ -	\$ -

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2
Page 7 of 7

Data Control Codes		Total Nonmajor Governmental Funds
	Revenues	
5700	Local and Intermediate Sources	\$ 1,730,392
5800	State Program Revenues	505,880
5900	Federal Program Revenues	13,601,103
5020	Total Revenues	15,837,375
	Expenditures	
	Current:	
0011	Instruction	5,331,021
0012	Instructional Resources and Media Services	3,533
0013	Curriculum and Instructional Staff Development	1,354,982
0021	Instructional Leadership	33,540
0023	School Leadership	25,366
0031	Guidance, Counseling and Evaluation Services	276,912
0032	Social work services	4,320
0033	Health Services	24,899
0034	Student Transportation	61,650
0035	Food Services	5,871,168
0036	Cocurricular/Extracurricular Activities	715,854
0041	General Administration	-
0051	Facilities Maintenance and Operations	217,084
0052	Security and Monitoring Services	210,520
6030	Total Expenditures	14,130,849
1200	Net change in fund balances	1,706,526
0100	Fund Balance - September 1 (Beginning)	1,828,165
3000	Fund Balance - August 31 (Ending)	\$ 3,534,691

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
August 31, 2022

Exhibit H-3

	753	755	Total
	Health Insurance Fund	Workers' Compensation Fund	Internal Service Funds (See Exhibit D- 1)
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,642,364	\$ 596,804	\$ 3,239,168
Due from other funds	400	-	400
Prepaid items	-	66,018	66,018
Total current assets	<u>2,642,764</u>	<u>662,822</u>	<u>3,305,586</u>
Total Assets	<u>2,642,764</u>	<u>662,822</u>	<u>3,305,586</u>
Liabilities			
Current liabilities:			
Accounts payable	324,004	16,093	340,097
Accrued liabilities	426,548	258,846	685,394
Total current liabilities	<u>750,552</u>	<u>274,939</u>	<u>1,025,491</u>
Total Liabilities	<u>750,552</u>	<u>274,939</u>	<u>1,025,491</u>
Net Position			
Unrestricted	<u>1,892,212</u>	<u>387,883</u>	<u>2,280,095</u>
Total Net Position	<u>\$ 1,892,212</u>	<u>\$ 387,883</u>	<u>\$ 2,280,095</u>

WILLIS INDEPENDENT SCHOOL DISTRICT*Exhibit H-4***COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****INTERNAL SERVICE FUNDS***For the Year Ended August 31, 2022*

	753	755	Total
	Health	Workers'	Internal Service
	Insurance Fund	Compensation Fund	Funds (See Exhibit D- 2)
Operating Revenues			
Contributions from employer	\$ 6,252,978	\$ 500,368	\$ 6,753,346
Total Operating Revenues	<u>6,252,978</u>	<u>500,368</u>	<u>6,753,346</u>
Operating Expenses			
Professional and contracted services	56,052	109,389	165,441
Supplies and materials	20,425	-	20,425
Claims expense, net of provision adjustments	6,647,776	117,385	6,765,161
Total Operating Expenses	<u>6,724,253</u>	<u>226,774</u>	<u>6,951,027</u>
Operating income (loss)	(471,275)	273,594	(197,681)
Nonoperating Revenues (Expenses)			
Transfers in	500,000	-	500,000
Transfers out	-	(500,000)	(500,000)
Total Nonoperating Revenues (Expenses)	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>
Change in net position	28,725	(226,406)	(197,681)
Net Position - Beginning	<u>1,863,487</u>	<u>614,289</u>	<u>2,477,776</u>
Net Position - Ending	<u>\$ 1,892,212</u>	<u>\$ 387,883</u>	<u>\$ 2,280,095</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended August 31, 2022

Exhibit H-5

	753	755	Total
	Health Insurance Fund	Workers' Compensation Fund	Internal Service Funds (See Exhibit D- 3)
Cash Flows from Operating Activities			
Cash received from user charges	\$ 6,252,978	\$ 500,368	\$ 6,753,346
Cash payments for insurance claims	(6,647,776)	(9,862)	(6,657,638)
Cash payments for other operating expenses	47,600	(171,069)	(123,469)
Net Cash Provided by (Used for) Operating Activities	(347,198)	319,437	(27,761)
Cash Flows from Investing Activities			
Sale of investments	1,700,598	-	1,700,598
Net Cash Provided by (Used for) Investing Activities	1,700,598	-	1,700,598
Cash Flows from Noncapital Financing Activities			
Transfers in	500,000	-	500,000
Transfers out	-	(500,000)	(500,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	500,000	(500,000)	-
Net increase (decrease) in cash and cash equivalents	1,853,400	(180,563)	1,672,837
Cash and Cash Equivalents at the Beginning of the Year	788,964	777,367	1,566,331
Cash and Cash Equivalents at the End of the Year	\$ 2,642,364	\$ 596,804	\$ 3,239,168
Reconciliation of Operating Income (loss) to			
Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ (471,275)	\$ 273,594	\$ (197,681)
Effect of increases and decreases in current assets and liabilities:			
(Increase) decrease in due from other funds	(400)	-	(400)
(Increase) decrease in due from other funds	-	(66,018)	(66,018)
Increase (decrease) in accounts payable	124,477	4,338	128,815
Increase (decrease) in accrued liabilities	-	107,523	107,523
Net Cash Provided by (Used for) Operating Activities	\$ (347,198)	\$ 319,437	\$ (27,761)

REQUIRED TEA SCHEDULES

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2022

Exhibit J-1
Page 1 of 2

	1	2	3	10
	Tax Rates		Net Assessed/Appraised	Beginning
Last Ten	Maintenance	Debt Service	Value For School	Balance
Fiscal Years				
			Tax Purposes	9/1/2021
2013 and prior	Various	Various	Various	\$ 308,636
2014	\$ 1.040000	\$ 0.350000	\$ 2,364,654,317	68,543
2015	1.040000	0.350000	2,539,472,571	72,955
2016	1.040000	0.350000	2,709,205,759	88,604
2017	1.040000	0.350000	3,045,105,911	115,076
2018	1.040000	0.350000	3,326,908,645	183,565
2019	1.040000	0.320000	3,549,280,648	241,453
2020	0.970000	0.300000	3,865,101,417	322,908
2021	0.917100	0.300000	4,115,866,527	618,525
2022	0.872000	0.300000	5,106,990,158	-
1000 TOTALS				<u>\$ 2,020,265</u>

Exhibit J-1
Page 2 of 2

	20	31	32	40	50
Last Ten Fiscal Years	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/2022
2013 and prior	\$ -	\$ 29,024	\$ 7,498	\$ (40,739)	231,375
2014	-	7,670	2,581	(5,618)	52,674
2015	-	11,370	3,826	(6,110)	51,649
2016	-	12,479	4,200	(5,461)	66,464
2017	-	19,753	6,648	(2,531)	86,144
2018	-	31,105	10,468	(8,798)	133,194
2019	-	73,793	22,706	20,794	165,748
2020	-	95,458	29,523	7,010	204,937
2021	-	168,534	55,131	(81,377)	313,483
2022	57,049,712	41,838,516	14,393,985	-	817,211
1000 TOTALS	\$ 57,049,712	\$ 42,287,702	\$ 14,536,566	\$ (122,830)	\$ 2,122,879
		Penalty and interest receivable on taxes			1,162,929
		Total taxes receivable per Exhibit C-1			\$ 3,285,808

WILLIS INDEPENDENT SCHOOL DISTRICT
Exhibit J-2
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
For the Year Ended August 31, 2022

	Child Nutrition			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Operating Revenues				
Local revenues	\$ 534,924	\$ 590,924	\$ 742,042	\$ 151,118
State program revenues	20,000	82,335	82,335	-
Federal program revenues	4,192,780	6,200,000	6,624,661	424,661
Total Operating Revenues	<u>4,747,704</u>	<u>6,873,259</u>	<u>7,449,038</u>	<u>575,779</u>
Operating Expenses				
Food services	<u>4,747,704</u>	<u>6,097,704</u>	<u>5,871,168</u>	<u>226,536</u>
Total Operating Expenses	<u>4,747,704</u>	<u>6,097,704</u>	<u>5,871,168</u>	<u>226,536</u>
Net change in fund balances/net position	-	775,555	1,577,870	802,315
Net Position - September 1 (Beginning)	<u>934,561</u>	<u>934,561</u>	<u>934,561</u>	<u>-</u>
Net Position - August 31 (Ending)	<u>\$ 934,561</u>	<u>\$ 1,710,116</u>	<u>\$ 2,512,431</u>	<u>\$ 802,315</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
For the Year Ended August 31, 2022

Exhibit J-3

	Debt Service Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget -
				Positive
				(Negative)
Revenues				
Local revenues	\$ 14,747,579	\$ 14,747,579	\$ 14,757,031	\$ 9,452
State program revenues	-	-	168,656	168,656
Total Revenues	<u>14,747,579</u>	<u>14,747,579</u>	<u>14,925,687</u>	<u>178,108</u>
Expenditures				
Debt Service:				
Principal on long-term debt	4,641,637	5,341,637	4,132,295	1,209,342
Interest on long-term debt	10,060,942	10,060,942	10,030,474	30,468
Bond issuance costs and fees	45,000	45,000	127,793	(82,793)
Total Expenditures	<u>14,747,579</u>	<u>15,447,579</u>	<u>14,290,562</u>	<u>1,157,017</u>
Excess (deficiency) of revenues over expenditures	-	(700,000)	635,125	1,335,125
Other Financing Sources (Uses):				
Refunding bonds issued			8,239,742	8,239,742
Proceeds from sale of real or personal property	-	-	451,706	451,706
Premium or discount on issuance of bonds	-	-	910,309	910,309
Payment to Bond Refunding Escrow Agent	-	-	(5,535,150)	(5,535,150)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>4,066,607</u>	<u>4,066,607</u>
Net change in fund balances	-	(700,000)	4,701,732	5,401,732
Fund Balances - Beginning	<u>4,960,575</u>	<u>4,960,575</u>	<u>4,960,575</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 4,960,575</u>	<u>\$ 4,260,575</u>	<u>\$ 9,662,307</u>	<u>\$ 5,401,732</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM
COMPLIANCE RESPONSES
For the Year Ended August 31, 2022

Exhibit J-4

Data		
Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$7,131,753
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$4,699,540
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 829,831
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 715,784

WILLIS INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
For the Year Ended August 31, 2022

Schedule L-1

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
	<p>(If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.</p> <p>Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.</p>	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code,	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -0-

NOTE: This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).



FEDERAL AWARDS SECTION



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

To the Board of Trustees
Willis Independent School District
Willis, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Willis Independent School District (the “District”), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated January 11, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

To the Board of Trustees
Willis Independent School District

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
January 11, 2023

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

To the Board of Trustees
Willis Independent School District
Willis, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited of Willis Independent School District's (the "District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

To the Board of Trustees
Willis Independent School District

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Whitley Penn LLP

Houston, Texas
January 11, 2023

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2022

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
<i>Child Nutrition Cluster</i>	10.553/10.555
<i>Special Education Cluster (COVID-19)</i>	84.027/84.173
<i>ESSER III (COVID-19)</i>	84.425U
<i>School Health and Support Grant (COVID-19)</i>	93.323
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Auditee qualified as low risk auditee?	No

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2022

II. Financial Statement Findings

None Reported.

III. Federal Awards Findings and Questioned Costs

None Reported.

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2022

Exhibit K-1

Page 1 of 2

Federal Grantor/ Pass- Through Grantor/ Program Title	Federal Assistance Listing Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
<i>Passed Through Texas Education Agency:</i>			
<i>ESEA Title I, Part A, Improving Basic Programs</i>	84.010A	23610101170904	\$ 108,797
<i>ESEA Title I, Part A, Improving Basic Programs</i>	84.010A	22610101170904	1,177,439
<i>ESEA Title I, Part A, Improving Basic Programs</i>	84.010A	20610101170904	750
<i>Total ALN 84.010</i>			<u>1,286,986</u>
<i>Perkins V: Strengthening CTE for 21st Century</i>	84.048A	23420006170904	33,273
<i>Perkins V: Strengthening CTE for 21st Century</i>	84.048A	22420006170904	87,256
<i>Total ALN 84.048</i>			<u>120,529</u>
<i>ESEA Title II, Part A, Supporting Effective Instruction</i>	84.367A	23694501170904	7,362
<i>ESEA Title II, Part A, Supporting Effective Instruction</i>	84.367A	22694501170904	222,386
<i>Total ALN 84.367</i>			<u>229,748</u>
<i>Title III, Part A, ELA</i>	84.365A	23671001170904	9,002
<i>Title III, Part A, ELA</i>	84.365A	22671001170904	78,678
<i>Total ALN 84.365</i>			<u>87,680</u>
<i>Title IV, Part A, Subpart 1</i>	84.424A	23680101170904	34,000
<i>Title IV, Part A, Subpart 1</i>	84.424A	22680101170904	28,349
<i>Total ALN 84.424</i>			<u>62,349</u>
<i>American Rescue Plan (ARP), Elementary Secondary School Emergency Relief Fund (ESSER) III Grant (COVID-19)</i>	84.425U	21528001170904	3,091,850
<i>Summer School/LEP</i>	84.369A	69552002	4,182
<i>IDEA-B, Formula</i>	84.027A	236600011709046600	124,244
<i>IDEA-B, Formula</i>	84.027A	226600011709046600	1,266,294
<i>IDEA-B, Preschool</i>	84.173A	236610011709046610	2,565
<i>IDEA-B, Preschool</i>	84.173A	226610011709046610	23,787
<i>American Rescue Plan, IDEA-B, Formula (COVID-19)</i>	84.027A	225350011709045350	208,355
<i>American Rescue Plan, IDEA-B, Preschool (COVID-19)</i>	84.173X	225360011709045360	1,682
<i>Total Special Education Cluster (ALN 84.027, 84.173)</i>			<u>1,626,927</u>
Total U.S. Department of Education			<u>6,510,251</u>
U.S. Department of Treasury			
<i>Passed Through Montgomery County, Texas:</i>			
<i>Coronavirus Relief Funds (COVID-19)</i>	21.019	N/A	510,278
Total U.S. Department of Treasury			<u>510,278</u>
U.S. Department of Interior			
<i>Passed Through Montgomery County, Texas:</i>			
<i>National Forest Aquired Lands - (ONRR Funds)</i>	15.438	026051276	2,873
<i>Passed Through San Jacinto County, Texas:</i>			
<i>National Forest Aquired Lands - (ONRR Funds)</i>	15.438	067899708	383
<i>Total ALN 15.438</i>			<u>3,256</u>
Total U.S. Department of Interior			<u>3,256</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2022

Exhibit K-1
Page 2 of 2

Federal Grantor/ Pass- Through Grantor/ Program Title	Federal Assistance Listing Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through Texas Department of Education			
Cash Assistance:			
<i>Seamless Summer Option School Breakfast</i>	10.553	71402201	1,177,602
<i>Seamless Summer Option School National School Lunch</i>	10.555	71302201	3,694,996
<i>Seamless Summer Option School Breakfast</i>	10.553	71402101	285,431
<i>Seamless Summer Option School National School Lunch</i>	10.555	71302101	820,886
Passed Through Texas Department of Agriculture:			
Non cash assistance (commodities):			
<i>National School Lunch Program</i>	10.555	806780706	435,564
<i>Supply Chain Assistance</i>	10.555	226TX400N8903	207,119
<i>Total Child Nutrition Cluster (10.553/10.555)</i>			6,621,598
<i>Pandemic Electronic Benefit Transfer Administrative Costs (COVID-19)</i>	10.649	216TX10929009	3,063
Total U.S. Department of Agriculture			6,624,661
U.S. Department of Health and Human Services			
U.S. Department of Health and Human Services			
Passed Through Texas Education Agency:			
<i>School Health and Support Grant (COVID-19)</i>	93.323	HHS001114100001	274,596
<i>School Health and Support Grant (COVID-19)</i>	93.323	HHS001114100001	29,143
<i>Total ALN 93.323</i>			303,739
Total U.S. Department of Health and Human Services			303,739
Total Expenditures of Federal Awards			\$ 13,952,185

Note 1 - Summary of Significant Accounting Policies

The District accounts for all awards under federal programs in the General and Special Revenue Funds in accordance with the Texas Education Agency's Financial Accountability System Resource Guide. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

All federal grants are subject to review by the grantor agencies. Any expenditures identified by the grantor agencies as disallowed could require reimbursement to the grantor agency from the District's general fund.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2022. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation of Basic Financial Statements

The following is a reconciliation of expenditures of federal awards per Exhibit K-1 and expenditures reports on Exhibit C-3:

Total expenditures of federal awards per Exhibit K- 1	\$ 13,952,185
General fund - federal revenue:	
School Health and Related Services	1,024,652
JROTC	75,518
E-Rate	19,182
Total federal revenues per Exhibit C- 3	<u>\$ 15,071,537</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2022

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

Finding 2021-001: Improper Cutoff

Status: Resolved.

WILLIS INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2022

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

I. Corrective Action Plan

Not Applicable.