

Willis Independent School District

Annual Financial Report

For the Fiscal Year Ended August 31, 2021

Willis Independent School District
 Annual Financial Report
 For the Fiscal Year Ended August 31, 2021
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Certificate of the Board

Willis Independent School District

Name of School District

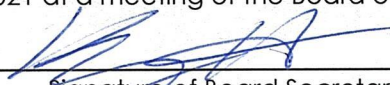
Montgomery

County

170-904

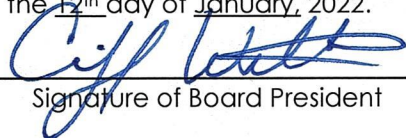
Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved disapproved for the fiscal year ended August 31, 2021 at a meeting of the Board of Trustees of such school district on the 12th day of January, 2022.



Signature of Board Secretary

Vice President



Signature of Board President

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary):

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Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

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 fiscal year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

The Board of Trustees of
Willis Independent School District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Willis Independent School District, as of August 31, 2021, and the respective changes in financial position and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the fiscal year ended August 31, 2021, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Beginning net position for the fiduciary fund has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other 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 Supplementary Information and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Board of Trustees of
Willis Independent School District

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Required Responses to Selected School FIRST Indicators (Other Information) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2022 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 Willis Independent School District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
January 12, 2022

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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, 2021. 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 \$50,985,763 (net position). The District reported positive net position in all categories.
- The District's total net position increased by \$10,372,550 from current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$158,179,343, an increase of \$74,878,682 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 \$24,876,439, or 36 percent of the year's total general fund expenditures.
- The District's total bonded debt increased by \$95,098,722 (61 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.

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 twenty-five 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.

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 \$50,985,763.

Willis Independent School District's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
	Amount	Amount	Amount	Amount	Amount	Amount
Current and other assets	\$176,104,134	\$101,352,305	\$ 654,384	\$ 627,562	\$176,758,518	\$101,979,867
Capital assets, net of depreciation	188,406,194	155,975,352	-	-	188,406,194	155,975,352
Total assets	364,510,328	257,327,657	654,384	627,562	365,164,712	257,955,219
Total deferred outflows of resources	11,507,592	14,483,528	-	-	11,507,592	14,483,528
Long-term liabilities outstanding	290,061,848	201,344,085	-	-	290,061,848	201,344,085
Other liabilities	13,811,977	12,585,694	-	-	13,811,977	12,585,694
Total liabilities	303,873,825	213,929,779	-	-	303,873,825	213,929,779
Total deferred inflows of resources	21,812,716	17,895,755	-	-	21,812,716	17,895,755
Net position:						
Net investment in capital assets	42,948,304	40,642,382	-	-	42,948,304	40,642,382
Restricted for grants	1,107,242	982,930	-	-	1,107,242	982,930
Restricted for debt service	3,251,640	532,926	-	-	3,251,640	532,926
Unrestricted	3,024,193	(2,172,587)	654,384	627,562	3,678,577	(1,545,025)
Total net position	\$ 50,331,379	\$ 39,985,651	\$ 654,384	\$ 627,562	\$ 50,985,763	\$ 40,613,213

The largest portion of the District's net position (\$42,948,304) 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 \$4,358,882.

Unrestricted net position of \$3,678,557 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 \$10,345,728 and Business-type Activities increased the District's net position by \$26,822 from current operations. Key elements of this change are as follows:

Willis Independent School District's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
	Amount	Amount	Amount	Amount	Amount	Amount
Revenue:						
Program revenues:						
Charges for services	\$ 1,621,957	\$ 1,596,604	\$ 67,985	\$ 74,509	\$ 1,689,942	\$ 1,671,113
Operating grants and contributions	15,988,944	14,711,141	-	-	15,988,944	14,711,141
General revenues:						
Property taxes, levied for general purposes	39,198,192	37,902,442	-	-	39,198,192	37,902,442
Property taxes, levied for debt service	12,818,678	11,712,376	-	-	12,818,678	11,712,376
Grants and contributions not restricted	30,080,927	27,262,259	-	-	30,080,927	27,262,259
Investment earnings	169,664	1,401,380	-	-	169,664	1,401,380
Miscellaneous local and intermediate	503,261	117,621	-	-	503,261	117,621
Total revenues	100,381,623	94,703,823	67,985	74,509	100,449,608	94,778,332
Expenses:						
Instruction	46,270,855	46,574,954	-	-	46,270,855	46,574,954
Instructional resources and media services	281,299	261,452	-	-	281,299	261,452
Curriculum and instructional staff development	3,097,827	2,016,786	-	-	3,097,827	2,016,786
Instructional leadership	247,049	255,575	-	-	247,049	255,575
School leadership	5,068,024	5,112,848	-	-	5,068,024	5,112,848
Guidance, counseling, and evaluation services	2,631,237	2,648,058	-	-	2,631,237	2,648,058
Social work services	177,123	180,443	-	-	177,123	180,443
Health services	899,149	751,396	-	-	899,149	751,396
Student transportation	3,777,606	3,593,164	-	-	3,777,606	3,593,164
Food services	4,145,136	4,406,064	-	-	4,145,136	4,406,064
Extracurricular activities	3,565,721	3,778,166	-	-	3,565,721	3,778,166
General administration	2,547,511	2,127,141	-	-	2,547,511	2,127,141
Plant maintenance and operations	8,729,938	8,482,142	-	-	8,729,938	8,482,142
Security and monitoring services	726,397	658,127	-	-	726,397	658,127
Data processing services	598,305	489,479	-	-	598,305	489,479
Community services	2,135	10,394	-	-	2,135	10,394
Interest on long-term debt	5,820,348	4,862,102	-	-	5,820,348	4,862,102
Issuance costs and fees	746,892	193,783	-	-	746,892	193,783
Facilities repair and maintenance	263,374	194,669	-	-	263,374	194,669
education programs	2,200	2,635	-	-	2,200	2,635
Other intergovernmental charges	437,769	442,145	-	-	437,769	442,145
Early Bird Child Care	-	-	41,163	38,186	41,163	38,186
Total expenses	90,035,895	87,041,523	41,163	38,186	90,077,058	87,079,709
Change in net position	10,345,728	7,662,300	26,822	36,323	10,372,550	7,698,623
Net position - beginning, as originally reported	39,985,651	39,473,658	627,562	591,239	40,613,213	40,064,897
Prior period adjustment	-	(7,150,307)	-	-	-	(7,150,307)
Net position - beginning, as restated	39,985,651	32,323,351	627,562	591,239	40,613,213	32,914,590
Net position - ending	\$50,331,379	\$39,985,651	\$ 654,384	\$ 627,562	\$50,985,763	\$40,613,213

Revenues, aggregating \$100,449,608, were generated primarily from two sources. Property taxes of \$52,016,870 represent 52 percent of total revenues, while grants and contributions (program and general) totaling \$46,069,871 represent 46 percent of total revenues. The remaining two percent is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$46,270,855), which represents 52 percent of total expenses. The remaining expense categories are individually less than 10 percent of total expenses. There were no significant changes in expenses by function.

The increase in net position of \$10,345,728 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 \$26,822, primarily due to a decrease in operating expenses as a result of COVID-19.

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 \$158,179,343, an increase of \$74,878,682 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 \$24,876,439, while total fund balance was \$44,642,860. 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 65 percent of that same total. The fund balance of the general fund increased (\$7,236,720) during the year, primarily as a result of the increase state and federal funding.

The debt service fund ended the year with a total fund balance of \$4,960,575, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$1,147,527 during the year, primarily due to the issuance of new debt in the current year.

The capital projects fund has a total fund balance of \$106,747,744, all of which is restricted for capital expenditures. The net increase in fund balance during the current year in the capital projects fund was \$66,302,409. The increase was due to the issuance of new debt in the current year for capital asset acquisition.

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 \$6.5 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.

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, 2021 was \$188,406,194 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture, vehicles, and equipment, and construction in progress.

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

- Furniture and equipment totaling \$331,686.
- Land and improvements totaling \$3,128,378.
- Construction in progress totaling \$18,403,952.
- Buildings and improvements totaling \$10,566,826.

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

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
	Amount	Amount	Amount	Amount	Amount	Amount
Land and improvements	\$ 12,919,772	\$ 9,791,394	\$ -	\$ -	\$ 12,919,772	\$ 9,791,394
Construction in progress	30,431,021	12,027,069	-	-	30,431,021	12,027,069
Buildings and improvements	140,516,676	129,949,850	-	-	140,516,676	129,949,850
Furniture, vehicles, and equipment	4,538,725	4,207,039	-	-	4,538,725	4,207,039
Totals	\$ 188,406,194	\$ 155,975,352	\$ -	\$ -	\$ 188,406,194	\$ 155,975,352

Commitments. At the end of the current fiscal year, the District's commitments with construction contractors totaled \$38,822,338. 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					
	2021		2020		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	\$ 251,206,688	86	\$ 156,107,966	78	\$ 95,098,722	61
Net pension liability	19,596,125	7	20,936,137	10	(1,340,012)	(6)
Net OPEB liability	19,259,034	7	24,299,982	12	(5,040,948)	(21)
Totals	\$ 290,061,847	100	\$ 201,344,085	100	\$ 88,717,762	

The District's total debt increased by \$95,098,722 due to current year bond issuance.

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.

Economic Factors and Next Year's Budget and Rates

- School year (2021-22) student enrollment is 8,430, an 7 percent increase from 7,882 in the preceding year.
- District staff totals 1,088 employees in 2021-22, excluding substitutes and other part-time employees, of which 470 are teachers and 149 are teacher aides and secretaries.
- The District maintains 11 regular education campuses.
- Property values of the District are projected to remain consistent in the 2021-22 year.
- A maintenance and operations tax rate of \$0.872 and a debt service tax rate of \$0.30, a total rate of \$1.172, were adopted for 2021-22. Preceding year rates were \$.097, \$0.30, and \$1.27, respectively.

All of these factors and others were considered in preparing the District's budget for the 2021-22 fiscal year.

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

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Willis Independent School District
Statement of Net Position
August 31, 2021

Exhibit A-1

Data Control Codes		1	2	3
		Primary Government		
		Governmental Activities	Business-type Activities	Total
ASSETS				
1110	Cash and cash equivalents	\$ 9,005,244	\$ 654,384	\$ 9,659,628
1120	Current investments	161,255,852	-	161,255,852
1220	Property taxes receivable	2,020,265	-	2,020,265
1230	Allowance for uncollectible taxes	(20,100)	-	(20,100)
1240	Due from other governments	3,158,831	-	3,158,831
1290	Other receivables	14,230	-	14,230
1300	Inventories	15,136	-	15,136
1410	Prepaid items	654,676	-	654,676
	Capital assets, not being depreciated:			
1510	Land and improvements	12,919,772	-	12,919,772
1580	Construction in progress	30,431,021	-	30,431,021
	Capital assets, net of accumulated depreciated:			
1520	Buildings and improvements	140,516,676	-	140,516,676
1530	Furniture, vehicles, and equipment	4,538,725	-	4,538,725
1000	Total assets	364,510,328	654,384	365,164,712
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred outflows - pension	7,772,106	-	7,772,106
1706	Deferred outflows - OPEB	3,091,042	-	3,091,042
1710	Deferred charge on refunding	644,444	-	644,444
1700	Total deferred outflows of resources	11,507,592	-	11,507,592
LIABILITIES				
2110	Accounts payable	3,891,280	-	3,891,280
2140	Interest payable	365,127	-	365,127
2150	Payroll deductions and withholdings	454,470	-	454,470
2160	Accrued wages payable	5,471,049	-	5,471,049
2180	Due to other governments	2,540,514	-	2,540,514
2200	Accrued liabilities	578,169	-	578,169
2300	Unearned revenue	511,368	-	511,368
	Noncurrent liabilities:			
2501	Due within one year - Note 3.E.	5,909,229	-	5,909,229
2502	Due in more than one year - Note 3.E.	245,297,460	-	245,297,460
2540	Net pension liability	19,596,125	-	19,596,125
2545	Net OPEB liability	19,259,034	-	19,259,034
2000	Total liabilities	303,873,825	-	303,873,825
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred inflows - pension	3,831,265	-	3,831,265
2606	Deferred inflows - OPEB	14,506,126	-	14,506,126
2610	Deferred gain on refunding	3,475,325	-	3,475,325
2600	Total deferred inflows of resources	21,812,716	-	21,812,716
NET POSITION				
3200	Net investment in capital assets	42,948,304	-	42,948,304
3820	Restricted for grants	1,107,242	-	1,107,242
3850	Restricted for debt service	3,251,640	-	3,251,640
3900	Unrestricted	3,024,193	654,384	3,678,577
3000	TOTAL NET POSITION	\$ 50,331,379	\$ 654,384	\$ 50,985,763

The Notes to the Financial Statements are an integral part of this statement.

Willis Independent School District
Statement of Activities
For the Fiscal Year Ended August 31, 2021

Data Control Codes	Functions/Programs	1 Expenses	3 4 Program Revenues	
			Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
0011	Instruction	\$ 46,270,855	\$ 51,422	\$ 8,665,396
0012	Instructional resources and media services	281,299	14,296	3,899
0013	Curriculum and instructional staff development	3,097,827	-	1,673,123
0021	Instructional leadership	247,049	-	58,857
0023	School leadership	5,068,024	-	278,287
0031	Guidance, counseling, and evaluation services	2,631,237	117	401,914
0032	Social work services	177,123	-	3,450
0033	Health services	899,149	-	85,938
0034	Student transportation	3,777,606	2,402	107,258
0035	Food services	4,145,136	955,320	3,468,286
0036	Extracurricular activities	3,565,721	591,792	156,610
0041	General administration	2,547,511	-	119,804
0051	Plant maintenance and operations	8,729,938	6,608	197,033
0052	Security and monitoring services	726,397	-	572,050
0053	Data processing services	598,305	-	12,226
0061	Community services	2,135	-	1,726
0072	Interest on long-term debt	5,820,348	-	183,087
0073	Issuance costs and fees	746,892	-	-
0081	Facilities repair and maintenance	263,374	-	-
0095	Payments to juvenile justice alternative education programs	2,200	-	-
0099	Other intergovernmental charges	437,769	-	-
TG	Total governmental activities	90,035,895	1,621,957	15,988,944
Business-type activities:				
01	Early Bird Child Care	41,163	67,985	-
TB	Total business-type activities	41,163	67,985	-
TP	TOTAL PRIMARY GOVERNMENT	\$ 90,077,058	\$ 1,689,942	\$ 15,988,944
General revenues:				
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
GC	Grants and contributions not restricted to specific programs			
IE	Investment earnings			
MI	Miscellaneous			
TR	Total general revenues			
CN	Change in net position			
NB	Net position - beginning			
NE	NET POSITION - ENDING			

The Notes to the Financial Statements are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (37,554,037)	\$ -	\$ (37,554,037)
(263,104)	-	(263,104)
(1,424,704)	-	(1,424,704)
(188,192)	-	(188,192)
(4,789,737)	-	(4,789,737)
(2,229,206)	-	(2,229,206)
(173,673)	-	(173,673)
(813,211)	-	(813,211)
(3,667,946)	-	(3,667,946)
278,470	-	278,470
(2,817,319)	-	(2,817,319)
(2,427,707)	-	(2,427,707)
(8,526,297)	-	(8,526,297)
(154,347)	-	(154,347)
(586,079)	-	(586,079)
(409)	-	(409)
(5,637,261)	-	(5,637,261)
(746,892)	-	(746,892)
(263,374)	-	(263,374)
(2,200)	-	(2,200)
(437,769)	-	(437,769)
(72,424,994)	-	(72,424,994)
-	26,822	26,822
-	26,822	26,822
(72,424,994)	26,822	(72,398,172)
39,198,192	-	39,198,192
12,818,678	-	12,818,678
30,080,927	-	30,080,927
169,664	-	169,664
503,261	-	503,261
82,770,722	-	82,770,722
10,345,728	26,822	10,372,550
39,985,651	627,562	40,613,213
\$ 50,331,379	\$ 654,384	\$ 50,985,763

Willis Independent School District
 Balance Sheet – Governmental Funds
 August 31, 2021

Data Control Codes		199	599
		General Fund	Debt Service Fund
ASSETS			
1110	Cash and cash equivalents	\$ 3,126,062	\$ 35,296
1120	Current investments	47,173,665	4,877,770
1220	Property taxes receivable	1,527,237	493,028
1230	Allowance for uncollectible taxes	(15,200)	(4,900)
1240	Due from other governments	2,403,301	-
1260	Due from other funds	484,544	62,032
1290	Other receivables	-	14,230
1300	Inventories	15,136	-
1410	Prepaid items	379,917	-
1000	Total assets	55,094,662	5,477,456
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 55,094,662	\$ 5,477,456
LIABILITIES			
2110	Accounts payable	\$ 353,285	\$ 550
2150	Payroll deductions and withholdings	454,470	-
2160	Accrued wages payable	5,242,666	-
2170	Due to other funds	375,943	-
2180	Due to other governments	2,512,311	28,203
2200	Accrued liabilities	-	-
2300	Unearned revenue	1,090	-
2000	Total liabilities	8,939,765	28,753
DEFERRED INFLOWS OF RESOURCES			
2620	Unavailable revenue - property taxes	1,512,037	488,128
	Total deferred inflows of resources	1,512,037	488,128
FUND BALANCES			
3410	Nonspendable - inventories	15,136	-
3430	Nonspendable - prepaid items	379,917	-
3450	Restricted - grant funds	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	4,960,575
3545	Committed - other	19,193,125	-
3590	Assigned - purchases on order	178,243	-
3600	Unassigned	24,876,439	-
3000	Total fund balances	44,642,860	4,960,575
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 55,094,662	\$ 5,477,456

The Notes to the Financial Statements are an integral part of this statement.

699		98
Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 2,638,673	\$ 1,638,882	\$ 7,438,913
107,080,488	423,331	159,555,254
-	-	2,020,265
-	-	(20,100)
-	755,530	3,158,831
-	313,911	860,487
-	-	14,230
-	-	15,136
-	274,759	654,676
<u>109,719,161</u>	<u>3,406,413</u>	<u>173,697,692</u>
<u>\$ 109,719,161</u>	<u>\$ 3,406,413</u>	<u>\$ 173,697,692</u>
\$ 2,971,417	\$ 354,746	\$ 3,679,998
-	-	454,470
-	228,383	5,471,049
-	484,544	860,487
-	-	2,540,514
-	298	298
-	510,278	511,368
<u>2,971,417</u>	<u>1,578,249</u>	<u>13,518,184</u>
-	-	2,000,165
-	-	2,000,165
-	-	15,136
-	274,759	654,676
-	1,107,242	1,107,242
106,747,744	-	106,747,744
-	-	4,960,575
-	720,922	19,914,047
-	-	178,243
-	(274,759)	24,601,680
<u>106,747,744</u>	<u>1,828,164</u>	<u>158,179,343</u>
<u>\$ 109,719,161</u>	<u>\$ 3,406,413</u>	<u>\$ 173,697,692</u>

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Willis Independent School District

Exhibit C-1R

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
August 31, 2021

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) \$ 158,179,343

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 261,360,172	
Accumulated depreciation of governmental capital assets	<u>(72,953,978)</u>	188,406,194

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.	2,000,165
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Long-term liabilities, including bonds payable, and net pension and OPEB liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Liabilities at year-end related to such items consist of:

Bonds payable, at original par	\$ (234,242,293)	
Premium on bonds payable	(15,132,460)	
Accrued interest on the bonds	(365,127)	
Accreted interest on the bonds	(1,831,936)	
Deferred charge on refunding	644,444	
Deferred gain on refunding	(3,475,325)	
Net pension liability	(19,596,125)	
Net OPEB liability	<u>(19,259,034)</u>	(293,257,856)

An internal service fund is used by the District to charge the costs of health insurance and workers' compensation benefits to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	2,477,776
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Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.	7,772,106
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Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.	(3,831,265)
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Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.	3,091,042
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Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.	<u>(14,506,126)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) \$ 50,331,379

The Notes to the Financial Statements are an integral part of this statement.

Willis Independent School District
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
For the Fiscal Year Ended August 31, 2021

<u>Data Control Codes</u>		199	599
		<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES			
5700	Local and intermediate sources	\$ 40,029,140	\$ 12,850,821
5800	State program revenues	32,797,400	183,087
5900	Federal program revenues	2,795,862	-
5020	Total revenues	75,622,402	13,033,908
EXPENDITURES			
Current:			
0011	Instruction	38,379,321	-
0012	Instructional resources and media services	166,132	-
0013	Curriculum and instructional staff development	1,384,042	-
0021	Instructional leadership	189,405	-
0023	School leadership	4,491,251	-
0031	Guidance, counseling, and evaluation services	2,233,773	-
0032	Social work services	175,188	-
0033	Health services	838,450	-
0034	Student transportation	3,687,826	-
0035	Food services	-	-
0036	Extracurricular activities	1,794,906	-
0041	General administration	2,148,199	-
0051	Plant maintenance and operations	8,238,777	-
0052	Security and monitoring services	171,083	-
0053	Data processing services	546,399	-
Debt service:			
0071	Principal on long-term debt	-	3,976,694
0072	Interest on long-term debt	-	8,658,511
0073	Issuance costs and fees	-	746,892
Capital outlay:			
0081	Facilities acquisition and construction	3,500,961	-
Intergovernmental:			
0095	Payments to juvenile justice alternative education programs	2,200	-
0099	Other intergovernmental charges	437,769	-
6030	Total expenditures	68,385,682	13,382,097
1100	Excess (deficiency) of revenues over (under) expenditures	7,236,720	(348,189)
OTHER FINANCING SOURCES (USES)			
7911	Capital-related debt issued (regular bonds)	-	-
7916	Premium or discount on issuance of bonds	-	1,495,716
7080	Total other financing sources (uses)	-	1,495,716
1200	Net change in fund balances	7,236,720	1,147,527
0100	Fund balances - beginning	37,406,140	3,813,048
3000	FUND BALANCES - ENDING	\$ 44,642,860	\$ 4,960,575

The Notes to the Financial Statements are an integral part of this statement.

699 Capital Projects Fund	Total Nonmajor Funds	98 Total Governmental Funds
\$ 87,656	\$ 1,518,036	\$ 54,485,653
-	316,789	33,297,276
-	8,727,317	11,523,179
87,656	10,562,142	99,306,108
-	3,534,887	41,914,208
-	12,573	178,705
-	1,370,284	2,754,326
-	39,892	229,297
-	10,999	4,502,250
-	257,010	2,490,783
-	-	175,188
-	3,296	841,746
-	-	3,687,826
-	4,132,871	4,132,871
-	436,254	2,231,160
-	-	2,148,199
-	-	8,238,777
-	572,050	743,133
-	-	546,399
-	-	3,976,694
-	-	8,658,511
-	-	746,892
33,935,247	-	37,436,208
-	-	2,200
-	-	437,769
33,935,247	10,370,116	126,073,142
(33,847,591)	192,026	(26,767,034)
97,180,000	-	97,180,000
2,970,000	-	4,465,716
100,150,000	-	101,645,716
66,302,409	192,026	74,878,682
40,445,335	1,636,138	83,300,661
\$ 106,747,744	\$ 1,828,164	\$ 158,179,343

Willis Independent School District
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended August 31, 2021

Exhibit C-3

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2) \$ 74,878,682

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.

Capital assets increased	\$ 38,300,142	
Depreciation expense	<u>(5,816,557)</u>	32,483,585

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position. (52,743)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. (124,120)

Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Par value	\$ (97,180,000)	
(Premium) discount	<u>(4,465,716)</u>	(101,645,716)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 3,976,694

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The changes reported in the statement of activities consists of the following:

Accreted interest paid	\$ 1,863,226	
Interest accreted on capital appreciation bonds	(158,226)	
Accrued interest on current interest bonds payable (<i>increased</i>) <i>decreased</i>	(108,530)	
Amortization of bond premium	865,299	
Amortization of deferred charge on refundings	(120,081)	
Amortization of deferred gain on refundings	<u>496,475</u>	2,838,163

An internal service fund is used by the District to charge the costs of health insurance and workers' compensation benefits to the individual funds. The net activity of the internal service fund was reported in the government-wide statements. (1,120,486)

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ (2,443,383)	
Deferred inflows (increased) decreased	(419,842)	
Net pension liability (increased) decreased	<u>1,340,012</u>	(1,523,213)

The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ (412,472)	
Deferred inflows (increased) decreased	(3,993,594)	
Net OPEB liability (increased) decreased	<u>5,040,948</u>	634,882

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) \$ 10,345,728

The Notes to the Financial Statements are an integral part of this statement.

Willis Independent School District
Statement of Net Position
Proprietary Funds
August 31, 2021

Exhibit D-1

Data Control Codes		Business-type Activity	Governmental Activities
		Enterprise Fund	Total Internal Service Funds
		Early Bird Child Care	
	ASSETS		
	Current assets:		
1110	Cash and cash equivalents	\$ 654,384	\$ 1,566,331
1120	Current investments	-	1,700,598
	Total current assets	654,384	3,266,929
1000	Total assets	654,384	3,266,929
	LIABILITIES		
	Current liabilities:		
2110	Accounts payable	-	211,282
2200	Accrued liabilities	-	577,871
	Total current liabilities	-	789,153
2000	Total liabilities	-	789,153
	NET POSITION		
3900	Unrestricted	654,384	2,477,776
3000	TOTAL NET POSITION	\$ 654,384	\$ 2,477,776

The Notes to the Financial Statements are an integral part of this statement.

Willis Independent School District
Statement of Revenues, Expenses, and Changes
in Net Position – Proprietary Funds
For the Fiscal Year Ended August 31, 2021

Exhibit D-2

<u>Data Control Codes</u>		<u>Business-type Activity</u>	<u>Governmental Activities</u>
		<u>Enterprise Fund</u>	<u>Total Internal Service Funds</u>
		<u>Early Bird Child Care</u>	
OPERATING REVENUES			
5700	Charges for services	\$ 67,985	\$ -
5700	Contributions from employer	-	6,360,435
5020	Total operating revenues	67,985	6,360,435
OPERATING EXPENSES:			
6100	Payroll costs	41,051	-
6200	Professional and contracted services	-	787,340
6300	Supplies and materials	112	14,140
6400	Claims expense, net of provision adjustments	-	6,682,403
6030	Total operating expenses	41,163	7,483,883
1100	Operating income	26,822	(1,123,448)
NONOPERATING REVENUES (EXPENSES)			
7,915	Transfers in	-	1,000,000
7,955	Earnings from temp. deposits and investments	-	2,962
8911	Transfers out	-	(1,000,000)
7950	Total nonoperating revenues (expenses)	-	2,962
1300	Change in net position	26,822	(1,120,486)
0100	Net position - beginning	627,562	3,598,262
3300	NET POSITION - ENDING	\$ 654,384	\$ 2,477,776

The Notes to the Financial Statements are an integral part of this statement.

Willis Independent School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended August 31, 2021

Exhibit D-3

	<u>Business-type Activity</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Total Internal Service Funds</u>
	<u>Early Bird Child Care</u>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 67,985	\$ 7,511,224
Cash payments for employees services and benefits	(41,051)	-
Cash payments for insurance claims	-	(6,054,005)
Cash payments for other operating expenses	(112)	(1,494,541)
	<hr/>	<hr/>
Net cash provided by (used for) operating activities	26,822	(37,322)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	2,962
Sale of investments	-	373,659
	<hr/>	<hr/>
Net cash provided by investing activities	-	376,621
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	-	1,000,000
Transfers out	-	(1,000,000)
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	-	-
Net increase in cash and cash equivalents	26,822	339,299
Cash and cash equivalents at the beginning of the year	627,562	1,227,032
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 654,384</u>	<u>\$ 1,566,331</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ 26,822	\$ (1,123,448)
Effect of increases and decreases in current assets and liabilities:		
(Increase) decrease in due from other funds	-	1,150,789
Increase (decrease) in accounts payable	-	(154,118)
Increase (decrease) in accrued liabilities	-	89,455
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 26,822</u>	<u>\$ (37,322)</u>

The Notes to the Financial Statements are an integral part of this statement.

Willis Independent School District
 Statement of Fiduciary Net Position
 Fiduciary Fund
 August 31, 2021

Exhibit E-1

	<u>Custodial Fund Student Activity</u>
ASSETS	
Cash and cash equivalents	\$ 102,163
Current investments	<u>6,520</u>
Total assets	108,683
LIABILITIES	
Accounts payable	<u>-</u>
Total liabilities	-
NET POSITION	
Restricted for:	
Student activities	<u>108,683</u>
TOTAL NET POSITION	<u><u>\$ 108,683</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Willis Independent School District
Statement of Changes in Fiduciary Net Position
August 31, 2021

Exhibit E-2

	<u>Custodial Fund</u> <u>Student Activity</u>
ADDITIONS	
Other	\$ 65,451
Total additions	65,451
DEDUCTIONS	
Student activities	<u>73,247</u>
Total deductions	73,247
Net change in fiduciary net position	(7,796)
Net position - beginning of year, as originally reported	-
Cumulative effect of adoption of GASB 84	<u>116,479</u>
Net position - beginning of year, as restated	<u>116,479</u>
NET POSITION - END OF YEAR	<u><u>\$ 108,683</u></u>

The Notes to the Financial Statements are an integral part of this statement.

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Willis Independent School District

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (the District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

B. Reporting Entity

The Willis Independent School District (the District) is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Members of the Board are elected by the public, have authority to make decisions, appoint management and significantly influence operations, and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District's enterprise fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary fund, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities, other than those financed by proprietary funds.

Willis Independent School District

Notes to the Financial Statements

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than those identified as a major fund) that are restricted or committed to expenditures for specific purposes.

The *enterprise funds* account for the District's operation of a before and after school care program (Early Bird Child Care). This fund is supported principally by revenues generated through program fees.

The *internal service funds* accounts for the operations of the District's health insurance and worker's compensation, which provides services to other departments inside the District on a cost reimbursement basis.

The *custodial fund* accounts for assets held by the District for student organizations. Contributions, gifts and fundraisers benefit the student organizations that raise the funds, and are not held in a trust.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Willis Independent School District

Notes to the Financial Statements

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is all considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The proprietary funds and custodial fund are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and bank demand or time deposits with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the District, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or net asset value.

3. Inventories and Prepaid Items

Inventories are valued at cost using the average cost method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, furniture and equipment, and vehicles are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. 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.

Willis Independent School District

Notes to the Financial Statements

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets. As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and improvements and construction in progress are not depreciated. The buildings and improvements, furniture and equipment, and vehicles of the District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and improvements	20 - 40
Furniture, vehicles and equipment	8 - 20

5. *Deferred Outflows/Inflows of Resources*

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represent an acquisition of net position/fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- Deferred loss/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

6. *Net Position Flow Assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Willis Independent School District

Notes to the Financial Statements

7. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees (the Board) is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action or resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by policy, authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

9. Pension

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's Pension Plan 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.

10. Other Post-Employment Benefits

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

Willis Independent School District

Notes to the Financial Statements

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property values are determined by the County Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of January 1 of each year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. 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.

I. Data Control Codes

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

J. Implementation of New Accounting Standards

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2018; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 84 to reporting periods beginning after December 15, 2019, with earlier application encouraged. GASB 84 was implemented in the District's 2021 financial statements, resulting in a cumulative effect adjustment of \$116,479 as of September 1, 2020 to net position in the fiduciary financial statements due to reclassification of certain fiduciary activities to conform to the new standard. There was no impact to government-wide beginning net position.

Willis Independent School District

Notes to the Financial Statements

K. Recent Accounting Pronouncements

GASB Statement No. 87, *Leases* (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, 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 requirements of this statement were originally effective for reporting periods beginning after December 15, 2019; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 87 to reporting periods beginning after June 15, 2021, with earlier application encouraged. GASB 87 will be implemented in the District's fiscal year 2022 financial statements and the impact has not yet been determined.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, National School Breakfast and Lunch Program special revenue fund, and debt service fund. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

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 legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund and function. Transfers of appropriations between functions 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.

B. Excess of Expenditures Over Appropriations

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

C. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Willis Independent School District

Notes to the Financial Statements

Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:
	<u>Assigned Fund Balance</u>
General fund	\$ 178,243
Total encumbrances	\$ 178,243

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments

The District's investment policy is in accordance with the Public Funds Investment Act (PFIA), the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in: 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Fully collateralized repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Securities lending program as permitted by Government Code 2256.0115; 5) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 6) Commercial paper if it has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 7) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission and have a dollar-weighted average stated maturity of 90 days or fewer; 8) No-load mutual funds which shall be registered with the Securities and Exchange Commission, have an average weighted maturity of less than two years, include investments that comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 9) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 10) Public funds investment pools which meet the requirements of the Public Funds Investment Act.

Willis Independent School District

Notes to the Financial Statements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

For fiscal year 2021, the District invested in certificates of deposit, money market mutual funds, municipal bonds, the Texas Local Government Investment Pool (TexPool), Texas Association of School Boards Lone Star Investment Pool (Lone Star), and TexSTAR. The District's investment balances, weighted average maturity, and credit risk of such investments are as follows:

	August 31, 2021	Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost, not subject to level reporting:					
Investment pools:					
TexPool - Local Government Investment Pool	\$ 4,690,994	\$ -	3%	31	AAAm*
Lone Star - Government Overnight Fund	103,386	-	0%	45	AAAm*
Lone Star - Corporate Overnight Fund	4,400,238	-	3%	52	AAAm*
TexSTAR Investment Pool	2,080,160	-	1%	50	AAAm*
Certificates of deposit	6,520	-	0%	10	Not rated**
Investments measured at net asset value, not subject to level reporting:					
Investment pools:					
Lone Star - Corporate Overnight Plus Fund	147,896,911	-	92%	75	AAA*
Money market mutual funds	5,395	-	0%	29	AAAm*
Investments measured at fair value, subject to level reporting:					
Municipal bonds	1,868,628	1,868,628	1%	354	Aa2/Aa3*
Certificates of deposit	210,140	210,140	0%	27	Not rated**
Total value	\$ 161,262,372	\$2,078,768	100%		
Portfolio weighted average maturity				76	

* Standard & Poor's Rating

**Certificates are insured or collateralized

Willis Independent School District

Notes to the Financial Statements

The TexPool, Lone Star – Government Overnight Fund, Lone Star – Corporate Overnight Fund, and TexSTAR investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. These investment pools have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity. Such investment pools are measured at amortized cost. Such investments are not required to be reported in the fair value hierarchy.

Certificates of deposit not brokered are measured at cost. Such investments are not required to be reported in the fair value hierarchy.

Lone Star Corporate Overnight Plus Fund is measured at net asset value which approximates fair value and is to provide safety of principal, daily liquidity, and the highest possible rate of return. This fund seeks to maintain a net asset value of one dollar, and its dollar-weighted average maturity is 120 days or fewer. The fund may invest in all securities authorized under the Public Funds Investment Act; however, the fund has additional restrictions for SEC regulated money market mutual funds and fully collateralized repurchase agreements.

Municipal bonds and brokered certificates of deposit are classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Money market mutual funds are Institutional Prime and Institutional Tax Exempt money market mutual funds required to price and transact at a net asset value per share that fluctuate based upon the pricing of the underlying portfolio of securities. Such funds are not subject to level reporting of the fair value hierarchy.

Credit Risk

At year-end, the District's investments were rated as noted in the preceding table. All credit ratings met acceptable levels required by legal guidelines prescribed by both the PFIA and the District's investment policy.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District is not to exceed two years from the time of purchase.

Concentration of Credit Risk

The District's investment policy does not limit an investment in any one issuer.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2021, the District's bank balance was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent in the District's name.

Willis Independent School District

Notes to the Financial Statements

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk.

B. Receivables

Tax revenues of the general and debt service fund are reported net of estimated uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Change in uncollectibles related to general fund property taxes	\$	1,300
Change in uncollectibles related to debt service property taxes		<u>300</u>
Total change in uncollectibles in the current fiscal year	\$	<u>1,600</u>

Approximately 65% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

C. Interfund Receivables, Payables, and Transfers

1. Receivables/Payables

The composition of interfund balances as of August 31, 2021, is as follows:

Funds	Interfund Receivables	Interfund Payables
Governmental funds:		
General fund	\$ 484,544	\$ 375,943
Debt service fund	62,032	-
Nonmajor governmental funds	<u>313,911</u>	<u>484,844</u>
Totals	<u>\$ 860,487</u>	<u>\$ 860,787</u>

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

2. Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. There were interfund transfers between the various funds for the fiscal year ended August 31, 2021, as shown below:

Transfer Out	Transfers In	Amount
Internal service fund - Workers' compensation	Internal service fund - Health insurance	\$ 1,000,000

Willis Independent School District
Notes to the Financial Statements

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2021 was as follows:

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 9,791,394	\$ 3,128,378	\$ -	\$ 12,919,772
Construction in progress	12,027,069	30,566,835	(12,162,883)	30,431,021
Total capital assets, not being depreciated	21,818,463	33,695,213	(12,162,883)	43,350,793
Capital assets, being depreciated:				
Buildings and improvements	189,603,768	3,521,048	12,021,890	205,146,706
Furniture, vehicles, and equipment	12,213,665	1,083,881	(434,873)	12,862,673
Total capital assets, being depreciated	201,817,433	4,604,929	11,587,017	218,009,379
Less accumulated depreciation for:				
Buildings and improvements	(59,653,918)	(5,083,910)	107,798	(64,630,030)
Furniture, vehicles, and equipment	(8,006,626)	(732,647)	415,325	(8,323,948)
Total accumulated depreciation	(67,660,544)	(5,816,557)	523,123	(72,953,978)
Total capital assets, being depreciated, net	134,156,889	(1,211,628)	12,110,140	145,055,401
Governmental activities capital assets, net	\$ 155,975,352	\$ 32,483,585	\$ (52,743)	\$ 188,406,194

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

Governmental activities:	
11 Instruction	\$ 2,357,265
12 Instructional resources and media services	98,564
23 School leadership	381,067
31 Guidance, counseling, and evaluation services	7,417
33 Health services	16,388
34 Student transportation	562,204
35 Food services	228,549
36 Extracurricular activities	1,286,079
41 General administration	315,371
51 Plant maintenance and operations	486,520
52 Security and monitoring services	24,284
53 Data processing	52,849
Total depreciation expense-governmental activities	\$ 5,816,557

Willis Independent School District

Notes to the Financial Statements

Construction Commitments

The District has active construction projects as of August 31, 2021. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

Project	Remaining Commitment
Gym Additions	\$ 161,245
Lynn Lucas Middle School Additions	18,261,430
Pre-K Center Renovations	20,183,652
Elementary School Number 6	<u>216,011</u>
Total	<u>\$ 38,822,338</u>

The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness and net pension and OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources from the general fund.

Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2021, was as follows:

	Beginning Balance	Additions/ (Provision Adjustments)	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds, par	\$ 141,038,987	\$ 97,180,000	\$ (3,976,694)	\$ 234,242,293	\$ 4,077,293
Accreted interest on capital appreciation bonds	3,536,936	158,226	(1,863,226)	1,831,936	1,831,936
Issuance premiums	<u>11,532,043</u>	<u>4,465,716</u>	<u>(865,299)</u>	<u>15,132,460</u>	<u>-</u>
Total bonds payable	156,107,966	101,803,942	(6,705,219)	251,206,689	5,909,229
Net pension liability	20,936,137	1,860,872	(3,200,884)	19,596,125	-
Net OPEB liability	<u>24,299,982</u>	<u>1,035,728</u>	<u>(6,076,676)</u>	<u>19,259,034</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 201,344,085</u>	<u>\$ 104,700,542</u>	<u>\$ (15,982,779)</u>	<u>\$ 290,061,848</u>	<u>\$ 5,909,229</u>

Willis Independent School District

Notes to the Financial Statements

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as current interest in capital appreciation bonds (CAB) with various amounts of principal maturing each year. Rates may be fixed or variable.

The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
1998 BLDG & REF CAB	5.275-5.275%	\$ 16,275,076	2022	\$ 588,987	\$ -	\$ (306,694)	\$ 282,293
2012 REF	2.00-3.25%	6,160,000	2031	5,540,000	-	(45,000)	5,495,000
2015 REF	2.00-5.00%	27,220,000	2028	17,800,000	-	(2,755,000)	15,045,000
2016 BLDG & REF	2.00-5.00%	71,090,000	2045	70,490,000	-	(310,000)	70,180,000
2017 BLDG & REF	2.00-5.00%	39,885,000	2045	39,010,000	-	(115,000)	38,895,000
2019 REF	4.00-5.00%	7,610,000	2025	7,610,000	-	(445,000)	7,165,000
2021 BLDG	2.00-4.00%	97,180,000	2051	-	97,180,000	-	97,180,000
Totals				<u>\$ 141,038,987</u>	<u>\$ 97,180,000</u>	<u>\$ (3,976,694)</u>	<u>\$ 234,242,293</u>

Willis Independent School District

Notes to the Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2022	\$ 4,077,293	\$ 8,173,237	\$ 12,250,530
2023	6,225,000	7,991,156	14,216,156
2024	7,590,000	7,748,613	15,338,613
2025	7,915,000	7,422,088	15,337,088
2026	8,285,000	7,050,488	15,335,488
2027	8,685,000	6,654,256	15,339,256
2028	9,085,000	6,253,563	15,338,563
2029	8,180,000	5,889,994	14,069,994
2030	8,515,000	5,551,475	14,066,475
2031	8,575,000	5,215,806	13,790,806
2032	7,775,000	4,928,188	12,703,188
2033	8,040,000	4,658,288	12,698,288
2034	7,835,000	4,372,363	12,207,363
2035	8,135,000	4,070,338	12,205,338
2036	8,450,000	3,757,913	12,207,913
2037	8,760,000	3,449,463	12,209,463
2038	9,065,000	3,146,038	12,211,038
2039	9,360,000	2,848,738	12,208,738
2040	9,675,000	2,540,688	12,215,688
2041	9,985,000	2,221,588	12,206,588
2042	10,325,000	1,886,256	12,211,256
2043	10,675,000	1,533,938	12,208,938
2044	11,040,000	1,168,850	12,208,850
2045	11,420,000	790,438	12,210,438
2046	4,185,000	550,744	4,735,744
2047	4,280,000	455,513	4,735,513
2048	4,375,000	358,144	4,733,144
2049	4,475,000	258,581	4,733,581
2050	4,575,000	156,769	4,731,769
2051	4,680,000	52,650	4,732,650
Totals	<u>\$ 234,242,293</u>	<u>\$ 111,156,164</u>	<u>\$ 345,398,457</u>

As of August 31, 2021, the District has \$1,298 of authorized but unissued bonds.

As of August 31, 2021, there were no defeased bonds outstanding.

Willis Independent School District

Notes to the Financial Statements

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Governmental funds:	
General Fund - School Buses	\$ 93,125
General Fund - Replace Aging Roofs	3,000,000
General Fund - Painting - District-Wide	2,610,000
General Fund - Stadium Enhancements	500,000
General Fund - Elementary Retrofit	9,140,000
General Fund - Enlarge Parking Lot Transportation	450,000
General Fund - Ceiling Tiles for Parmley	150,000
General Fund - Emergency Funds for Utility Costs	250,000
General Fund - Purchase of Future School Site(s)	3,000,000
Nonmajor funds - campus activity	720,922
	<u>720,922</u>
Total other committed fund balance	<u>\$ 19,914,047</u>

G. Revenues from Local and Intermediate Sources

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

	General	Debt Service	Capital Projects Funds	Nonmajor Governmental Funds	Totals
Property taxes	\$ 39,297,029	\$ 12,843,961	\$ -	\$ -	\$ 52,140,990
Investment income	71,339	6,860	87,656	847	166,702
Charges for services	104,768	-	-	1,510,329	1,615,097
Other	556,004	-	-	6,860	562,864
	<u>556,004</u>	<u>-</u>	<u>-</u>	<u>6,860</u>	<u>562,864</u>
Totals	<u>\$ 40,029,140</u>	<u>\$ 12,850,821</u>	<u>\$ 87,656</u>	<u>\$ 1,518,036</u>	<u>\$ 54,485,653</u>

Note 4. Other Information

A. Risk Management

General

Like all public school districts, the District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District purchased commercial insurance or participated in risk pools in which the District transfers the risk for claims related to property and liability risks.

Health Insurance

During the period ended August 31, 2021, employees of the District were covered by a partially self-insured health insurance plan (the Plan) accounted for through an internal service fund. The District made contributions to cover the employees and, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator acting on behalf of the District. The Plan was authorized by state statute and was documented by contractual agreement. The contract between the District and the third party administrator is renewable annually.

Willis Independent School District

Notes to the Financial Statements

In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage up to \$160,000 per individual carried through a commercial insurer licensed to do business in Texas in accordance with the Texas Insurance Code. Estimates of claims payable and of claims incurred but not reported at August 31, 2021, are reflected as accrued expenses of the internal service fund. The liabilities include an amount for claims that have been incurred but were not reported until after August 31, 2021. Because actual claims liabilities, depend on such complex factors as inflation, changes in legal requirements and damage awards, the process used in computing claims liability is an estimate.

Workers' Compensation

During the fiscal year ended August 31, 2021, employees of the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

Willis ISD participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2020, the Fund carries a discounted reserve of \$44,135,645 for future development on reported claims and claims that have been incurred but not yet reported. For the fiscal year ended August 31, 2021, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The liability estimation requires the estimate of loss development over an extended period of time. During the self-insurance period of time, numerous internal and external factors will affect the ultimate settlement value of claims. Due to the inherent uncertainty with regard to the impact of these factors, there can be no guarantee that actual losses will not vary, perhaps significantly, from the estimates. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years.

Health Insurance and Workers' Compensation Claims Liability

Analysis of claims liability for the health insurance and workers' compensation fund, for the fiscal years ended 2021 and 2020 as follows:

	Year Ended August 31, 2021	Year Ended August 31, 2020
Unpaid claims, beginning of fiscal year	\$ 488,416	\$ 352,686
Incurred claims (including IBNRs and changes in provisions)	4,351,894	4,419,633
Claim payments	(4,262,439)	(4,283,903)
Unpaid claims, end of fiscal year	\$ 577,871	\$ 488,416

Willis Independent School District

Notes to the Financial Statements

B. Litigation and Contingencies

The District is generally involved in legal claims or assessments arising principally in the normal course of operations. In the opinion of the District's management, the District does not expect a loss and such matters will not have a material effect on the District's financial position, results of operations or liquidity.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2021, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity, except for members who are grandfathered where 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 cost of living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as previously noted in the Plan Description above.

Willis Independent School District

Notes to the Financial Statements

Contributions

Employee contribution rates are set in state statute, Texas Government Code 825.402. Contribution requirements are established or amended pursuant to Article XVI, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2021	2020
Member	7.7%	7.7%
Non-employer contributing entity (State)	7.5%	7.5%
Employers (District)	7.5%	7.5%

The contribution amounts for the District's fiscal year 2021 are as follows:

District contributions	\$ 1,612,161
Member contributions	3,700,334
NECE on-behalf contributions (State)	2,259,665

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.

As the non-employer contributing entity, 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 the 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, local or non-educational and general 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.

Willis Independent School District

Notes to the Financial Statements

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment-after-retirement surcharge.
- Public education employer contribution - all public schools, charter schools and regional education service centers must contribute 1.5% of the member's salary beginning in September 1, 2019, gradually increasing to 2.0% on September 1, 2024.

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

At August 31, 2021, the District reported a liability of \$19,596,125 for its proportionate share of the TRS's net pension liability. 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 are as follows:

District's proportionate share of the net pension liability	\$ 19,596,125
State's proportionate share of the net pension liability associated with the District	<u>32,666,379</u>
Total	<u><u>\$ 52,262,504</u></u>

The net pension liability was measured as of August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2019 rolled forward to August 31, 2020. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At the measurement date of August 31, 2020, the District's proportion of the collective net pension liability was 0.0365886%, which was a decrease of 0.0036862% from its proportion measured as of August 31, 2019.

For the fiscal year ended August 31, 2021, the District recognized pension expense of \$7,064,414 and revenue of \$3,929,040 for support provided by the State.

At August 31, 2021, the District reported 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	\$ 35,781	\$ 546,876
Changes of assumptions	4,546,998	1,933,352
Difference between projected and actual earnings on pension plan investments	396,706	-
Changes in proportion and differences between District's contributions and the proportionate share of contributions	1,180,460	1,351,037
District contributions paid subsequent to the measurement date	<u>1,612,161</u>	<u>-</u>
Totals	<u><u>\$ 7,772,106</u></u>	<u><u>\$ 3,831,265</u></u>

Willis Independent School District

Notes to the Financial Statements

\$1,612,161 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year Ending August 31,	
2022	\$ 828,206
2023	976,710
2024	898,019
2025	126,673
2026	(423,576)
Thereafter	<u>(80,352)</u>
Total	<u>\$ 2,325,680</u>

Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020 and was determined using the following actuarial methods and assumptions:

Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.25%
Long-term expected rate of return	7.25%
Municipal bond rate as of August 2020	2.33%. 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)	2119
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment benefit changes	None
Active mortality rates	Based on 90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality. 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 projection scale U-MP.

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

Willis Independent School District

Notes to the Financial Statements

Discount Rate and Long-Term Expected Rate of Return

A single discount rate of 7.25% 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%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global equity:			
U.S.	18.00%	3.90%	0.99%
Non-U.S. developed	13.00%	5.10%	0.92%
Emerging markets	9.00%	5.60%	0.83%
Private equity	14.00%	6.70%	1.41%
Stable value:			
Government bonds	16.00%	-0.70%	-0.05%
Stable value hedge funds	5.00%	1.90%	0.11%
Real return:			
Real estate	15.00%	4.60%	1.02%
Energy, natural resources and infrastructure	6.00%	6.00%	0.42%
Risk parity:			
Risk parity	8.00%	3.00%	0.30%
Asset allocation leverage:			
Cash	2.00%	-1.50%	-0.03%
Asset allocation leverage cash	-6.00%	-1.30%	0.08%
Inflation expectation			2.00%
Volatility drag***			-0.67%
Total	100.00%		7.33%

* Target allocations are based on the FY 2020 policy model.

** Capital market assumptions come from Aon Hewitt (as of 8/31/2020).

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

Willis Independent School District

Notes to the Financial Statements

Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of the TRS net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 30,216,875	\$ 19,596,125	\$ 10,966,999

Change of Assumptions since the Prior Measurement Date

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

Change of Benefit Terms since the Prior Measurement Date

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

D. Defined Other Postemployment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of 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. The Board of Trustees of TRS 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.

Willis Independent School District

Notes to the Financial Statements

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

TRS-Care Monthly Plan Premium Rates

	<u>Medicare</u>	<u>Non-medicare</u>
Retiree or surviving spouse	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree or surviving spouse and children	468	408
Retiree and family	1,020	999

Contributions

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

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

Rates for such plan fiscal years are as follows:

	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2020</u>
Active employee	0.65%	0.65%
Non-employer contribution entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding*	1.25%	1.25%

*Contributions paid from federal funds and private grants are remitted by the employer (District) and paid at the State rate.

The contribution amounts for the District's fiscal year 2021 are as follows:

District contributions	\$ 395,022
Member contributions	312,367
NECE on-behalf contributions (State)	240,261

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 hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

The State of Texas also contributed \$216,547, \$199,268, and \$161,327 in 2021, 2020, and 2019, respectively, for on-behalf payments for Medicare Part D.

Willis Independent School District

Notes to the Financial Statements

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020.

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

At August 31, 2021, the District reported a liability of \$19,259,034 for its proportionate share of the TRS's net OPEB liability. 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 are as follows:

District's proportionate share of the net OPEB liability	\$ 19,259,034
State's proportionate share of the net OPEB liability associated with the District	<u>25,879,525</u>
Total	<u><u>\$ 45,138,559</u></u>

The net OPEB liability was measured as of August 31, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as August 31, 2019 rolled forward to August 31, 2020. 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, 2019 through August 31, 2020.

At the measurement date of August 31, 2020, the employer's proportion of the collective net OPEB liability was 0.0506623%, which was a decrease of 0.0007214% from its proportion measured as of August 31, 2019.

GASB 75 requires the District to record OPEB expense for the amount of the State's proportionate share of collective OPEB expense that is associated with the District, and record revenue in the same amount for the support provided by the State. For the measurement period ended August 31, 2020, the State's proportionate share of the collective OPEB expense was a negative expense of \$151,336,663 and the portion of that amount that is associated with the District is a negative expense of \$179,698. This amount is recorded as a negative revenue and negative expense for the year ended August 31, 2021.

For the fiscal year ended August 31, 2021, the District recognized total negative OPEB expense of \$419,558.

At August 31, 2021, the District reported 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 experience	\$ 1,008,395	\$ 8,813,919
Changes of assumptions	1,187,882	5,288,630
Difference between projected and actual earnings on OPEB plan investments	6,258	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	493,485	403,577
District contributions paid subsequent to the measurement date	<u>395,022</u>	<u>-</u>
Totals	<u><u>\$ 3,091,042</u></u>	<u><u>\$ 14,506,126</u></u>

Willis Independent School District

Notes to the Financial Statements

\$395,022 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (income) as follows:

<u>Year Ending</u> <u>August 31,</u>	
2022	\$ (1,960,252)
2023	(1,961,088)
2024	(1,961,567)
2025	(1,961,436)
2026	(1,447,025)
Thereafter	<u>(2,518,738)</u>
Total	<u>\$ (11,810,106)</u>

Actuarial Methods and Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2019. Update procedures were used to roll forward the total OPEB liability to August 31, 2020.

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. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2020 TRS annual pension actuarial valuation:

<u>Demographic Assumptions</u>	<u>Economic Assumptions</u>
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Salary increases
Rates of disability	

See Note 4.C for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The initial medical trend rates were 9.00% for Medicare retirees and 7.30% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 % over a period of 13 years.

Willis Independent School District

Notes to the Financial Statements

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Actuarial cost method	Individual entry age normal
Single discount rate	2.33%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 65% participation prior to age 65 and 40% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Ad hoc postemployment benefit changes	None

Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability at August 31, 2020. This was a decrease of 0.3% in the discount rate since the August 31, 2019 measurement date. The plan is essentially a "pay-as-you-go" plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments to current members and therefore, the single discount rate is equal to the prevailing municipal bond rate. 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".

Sensitivity Analysis of Rates

Discount Rate

The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the net OPEB liability.

	1% Decrease (1.33%)	Current Discount Rate (2.33%)	1% Increase (3.33%)
District's proportionate share of the net OPEB liability	\$ 23,100,797	\$ 19,259,034	\$ 16,216,694

Willis Independent School District

Notes to the Financial Statements

Healthcare Cost Trend Rates

The following table presents the District's proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 15,732,163	\$ 19,259,034	\$ 23,956,328

Change of Assumptions since the Prior Measurement Date

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

- The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the total 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.

Change of Benefit Terms since the Prior Measurement Date

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

E. Nonmonetary Transactions

During 2021, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$154,573. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$154,573 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas. Similarly, the District received chromebook purchased by the State of Texas for the benefit of the District for a purchase price of \$521,770. The District received the chromebooks as part of federal funding for Operation Connectivity. The chromebooks have been recorded in the amount of \$521,770 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas, passed through Region 4 Education Service Center, and reported on the schedule of expenditures of federal awards.

Required Supplementary Information

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Willis Independent School District
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balance – Budget and Actual
 General Fund
 For the Fiscal Year Ended August 31, 2021

Exhibit G-1

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 39,944,754	\$ 39,944,754	\$ 40,029,140	\$ 84,386
5800	State program revenues	27,235,908	32,485,908	32,797,400	311,492
5900	Federal program revenues	86,292	836,292	2,795,862	1,959,570
5020	Total revenues	67,266,954	73,266,954	75,622,402	2,355,448
EXPENDITURES					
Current:					
0011	Instruction	38,911,996	40,194,507	38,379,321	1,815,186
0012	Instructional resources and media services	179,284	179,284	166,132	13,152
0013	Curriculum and instructional staff development	1,357,870	1,473,870	1,384,042	89,828
0021	Instructional leadership	186,203	215,203	189,405	25,798
0023	School leadership	4,529,821	4,686,321	4,491,251	195,070
0031	Guidance, counseling, and evaluation services	2,222,478	2,253,978	2,233,773	20,205
0032	Social work services	205,483	205,483	175,188	30,295
0033	Health services	715,045	887,248	838,450	48,798
0034	Student transportation	3,817,989	4,504,345	3,687,826	816,519
0036	Extracurricular activities	1,994,419	2,014,419	1,794,906	219,513
0041	General administration	2,153,471	2,297,471	2,148,199	149,272
0051	Plant maintenance and operations	8,962,208	8,911,013	8,238,777	672,236
0052	Security and monitoring services	848,958	848,958	171,083	677,875
0053	Data processing services	578,729	598,729	546,399	52,330
0081	Facilities acquisition and construction	-	4,000,000	3,500,961	499,039
Intergovernmental charges:					
0095	Payments to juvenile justice alternative education programs	12,000	12,000	2,200	9,800
0099	Other intergovernmental charges	591,000	491,000	437,769	53,231
6030	Total expenditures	67,266,954	73,773,829	68,385,682	5,388,147
1200	Net change in fund balance	-	(506,875)	7,236,720	7,743,595
0100	Fund balance - beginning	37,406,140	37,406,140	37,406,140	-
3000	FUND BALANCE - ENDING	\$ 37,406,140	\$ 36,899,265	\$ 44,642,860	\$ 7,743,595

The Notes to the Required Supplementary Information are an integral part of this schedule.

Willis Independent School District

Exhibit G-2

Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan Teacher Retirement System of Texas For the Last Seven Fiscal Years*

Year	District's Proportion of Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.0365886%	\$ 19,596,125	\$ 32,666,379	\$ 52,262,504	\$ 46,456,111	42.18%	75.54%
2020	0.0402749%	\$ 20,936,137	\$ 29,856,517	\$ 50,792,654	\$ 43,699,281	47.91%	75.24%
2019	0.0392693%	\$ 21,614,753	\$ 32,061,491	\$ 53,676,244	\$ 41,678,787	51.86%	73.74%
2018	0.0390052%	\$ 12,471,763	\$ 18,887,011	\$ 31,358,774	\$ 39,972,432	31.20%	82.17%
2017	0.0361980%	\$ 13,678,697	\$ 22,386,698	\$ 36,065,395	\$ 37,322,171	36.65%	78.00%
2016	0.0378963%	\$ 13,395,838	\$ 21,163,850	\$ 34,559,688	\$ 35,786,146	37.43%	78.43%
2015	0.0244667%	\$ 6,535,394	\$ 18,665,631	\$ 25,201,025	\$ 34,840,688	18.76%	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**Exhibit G-3**

Schedule of the District's Contributions to the
Teacher Retirement System of Texas Pension Plan
For the Last Seven Fiscal Years*

<u>Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2021	\$ 1,612,161	\$ (1,612,161)	\$ -	\$ 48,055,226	3.35%
2020	\$ 1,501,458	\$ (1,501,458)	\$ -	\$ 46,456,111	3.23%
2019	\$ 1,408,633	\$ (1,408,633)	\$ -	\$ 43,699,281	3.22%
2018	\$ 1,322,974	\$ (1,322,974)	\$ -	\$ 41,678,787	3.17%
2017	\$ 1,278,273	\$ (1,278,273)	\$ -	\$ 39,972,432	3.20%
2016	\$ 1,150,103	\$ (1,150,103)	\$ -	\$ 37,322,171	3.08%
2015	\$ 897,108	\$ (897,108)	\$ -	\$ 35,786,146	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

Exhibit G-4

Schedule of the District's Proportionate Share of the Net OPEB Liability of a Cost-Sharing Multiple-Employer OPEB Plan Teacher Retirement System of Texas For the Last Four Fiscal Years*

Year	District's Proportion of Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	State's Proportionate Share of the Net OPEB Liability Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.0506623%	\$ 19,259,034	\$ 25,879,525	\$ 45,138,559	\$ 46,456,111	41.46%	4.99%
2020	0.0513837%	\$ 24,299,982	\$ 32,289,236	\$ 56,589,218	\$ 43,699,281	55.61%	2.66%
2019	0.0505885%	\$ 25,259,276	\$ 35,134,208	\$ 60,393,484	\$ 41,678,787	60.60%	1.57%
2018	0.0503240%	\$ 21,884,017	\$ 29,772,356	\$ 51,656,373	\$ 39,972,432	54.75%	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**Exhibit G-5**

Schedule of the District's Contributions to the
Teacher Retirement System of Texas OPEB Plan
For the Last Four Fiscal Years*

<u>Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2021	\$ 395,022	\$ (395,022)	\$ -	\$ 48,055,226	0.82%
2020	\$ 392,913	\$ (392,913)	\$ -	\$ 46,456,111	0.85%
2019	\$ 364,521	\$ (364,521)	\$ -	\$ 43,669,281	0.83%
2018	\$ 349,034	\$ (349,034)	\$ -	\$ 41,678,787	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.

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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).

Willis Independent School District
Notes to the Required Supplementary Information

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 August 31,	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2020	7.250%	7.250%	2.330%
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	
2015	8.000%	8.000%	
2014	8.000%	8.000%	

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.

Supplementary Information

Willis Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds
August 31, 2021

		211	224	225
<u>Data Control Codes</u>		<u>Title I Part A Improving Basic Programs</u>	<u>IDEA - Part B, Formula</u>	<u>IDEA - Part B, Preschool</u>
ASSETS				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1120	Current investments	-	-	-
1240	Due from other governments	67,530	139,900	-
1260	Due from other funds	-	-	-
1410	Prepaid items	-	-	-
1000	TOTAL ASSETS	<u>\$ 67,530</u>	<u>\$ 139,900</u>	<u>\$ -</u>
LIABILITIES				
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	14,354	51,485	-
2170	Due to other funds	52,878	88,415	-
2200	Accrued liabilities	298	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	67,530	139,900	-
FUND BALANCES				
3430	Nonspendable - prepaid items	-	-	-
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3600	Unassigned	-	-	-
3000	Total fund balances	-	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 67,530</u>	<u>\$ 139,900</u>	<u>\$ -</u>

240	244	255	263	266
National School Breakfast and Lunch Program	Career and Technical - Basic Grant	ESSA, Title II, Part A,: Teacher and Principal Training and Recruiting	Title III, Part A, English Language Acquisition and Enhancement	Elementary and Secondary School Emergency Relief Funds - CARES Act
\$ 156,274	\$ -	\$ -	\$ -	\$ -
423,331	-	-	-	-
459,393	11,616	-	59,665	-
313,911	-	-	-	-
-	-	-	-	-
<u>\$ 1,352,909</u>	<u>\$ 11,616</u>	<u>\$ -</u>	<u>\$ 59,665</u>	<u>\$ -</u>
\$ 253,476	\$ -	\$ -	\$ 21,808	\$ -
162,544	-	-	-	-
2,328	11,616	-	37,857	-
-	-	-	-	-
-	-	-	-	-
418,348	11,616	-	59,665	-
-	-	-	-	-
934,561	-	-	-	-
-	-	-	-	-
-	-	-	-	-
934,561	-	-	-	-
<u>\$ 1,352,909</u>	<u>\$ 11,616</u>	<u>\$ -</u>	<u>\$ 59,665</u>	<u>\$ -</u>

Willis Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds – Continued
August 31, 2021

		272	276	277
<u>Data Control Codes</u>		<u>MAC Program</u>	<u>School Improvement Grants</u>	<u>Governor's Emergency Education Relief Funds - CARES Act</u>
ASSETS				
1110	Cash and cash equivalents	\$ 158,002	\$ -	\$ 572,408
1120	Current investments	-	-	-
1240	Due from other governments	-	12,106	-
1260	Due from other funds	-	-	-
1410	Prepaid items	-	-	-
1000	TOTAL ASSETS	<u>\$ 158,002</u>	<u>\$ 12,106</u>	<u>\$ 572,408</u>
LIABILITIES				
2110	Accounts payable	\$ -	\$ -	\$ 62,130
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	12,106	-
2200	Accrued liabilities	-	-	-
2300	Unearned revenue	-	-	510,278
2000	Total liabilities	-	12,106	572,408
FUND BALANCES				
3430	Nonspendable - prepaid items	-	-	-
3450	Restricted - grant funds	158,002	-	-
3545	Committed - other	-	-	-
3600	Unassigned	-	-	-
3000	Total fund balances	<u>158,002</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 158,002</u>	<u>\$ 12,106</u>	<u>\$ 572,408</u>

281	282	288	289	385
<u>ESSER II</u>	<u>ESSER III</u>	<u>Teaching American History Grant</u>	<u>Improving Academic Achievement (Summer School LEP)</u>	<u>Supplemental Visually Impaired</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	5,320	-
-	-	-	-	-
-	274,759	-	-	-
<u>\$ -</u>	<u>\$ 274,759</u>	<u>\$ -</u>	<u>\$ 5,320</u>	<u>\$ -</u>
\$ -	\$ 786	\$ -	\$ -	\$ -
-	-	-	-	-
-	273,973	-	5,320	-
-	-	-	-	-
-	-	-	-	-
-	274,759	-	5,320	-
-	274,759	-	-	-
-	-	-	-	-
-	-	-	-	-
-	(274,759)	-	-	-
<u>\$ -</u>	<u>\$ 274,759</u>	<u>\$ -</u>	<u>\$ 5,320</u>	<u>\$ -</u>

Willis Independent School District

Combining Balance Sheet

Nonmajor Governmental Funds – Special Revenue Funds – Continued

August 31, 2021

		393	397	410
<u>Data Control Codes</u>		<u>Texas Successful Schools</u>	<u>Advanced Placement Incentives</u>	<u>State Textbook Fund</u>
	ASSETS			
1110	Cash and cash equivalents	\$ -	\$ -	\$ 5,783
1120	Current investments	-	-	-
1240	Due from other governments	-	-	-
1260	Due from other funds	-	-	-
1410	Prepaid items	-	-	-
		<hr/>	<hr/>	<hr/>
1000	TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,783</u>
	LIABILITIES			
2110	Accounts payable	\$ -	\$ -	\$ 5,783
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	-	-
2200	Accrued liabilities	-	-	-
2300	Unearned revenue	-	-	-
		<hr/>	<hr/>	<hr/>
2000	Total liabilities	-	-	5,783
	FUND BALANCES			
3430	Nonspendable - prepaid items	-	-	-
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3600	Unassigned	-	-	-
		<hr/>	<hr/>	<hr/>
3000	Total fund balances	-	-	-
		<hr/>	<hr/>	<hr/>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,783</u>

428

429

461

<u>School Safety and Security</u>	<u>Prekindergarten Grant Program</u>	<u>Campus Activity Funds</u>	<u>Total Nonmajor Funds (See Exhibit C-1)</u>
\$ 11,669	\$ 3,061	\$ 731,685	\$ 1,638,882
-	-	-	423,331
-	-	-	755,530
-	-	-	313,911
-	-	-	274,759
<u>\$ 11,669</u>	<u>\$ 3,061</u>	<u>\$ 731,685</u>	<u>\$ 3,406,413</u>
\$ -	\$ -	\$ 10,763	\$ 354,746
-	-	-	228,383
6	45	-	484,544
-	-	-	298
-	-	-	510,278
6	45	10,763	1,578,249
-	-	-	274,759
11,663	3,016	-	1,107,242
-	-	720,922	720,922
-	-	-	(274,759)
<u>11,663</u>	<u>3,016</u>	<u>720,922</u>	<u>1,828,164</u>
<u>\$ 11,669</u>	<u>\$ 3,061</u>	<u>\$ 731,685</u>	<u>\$ 3,406,413</u>

Willis Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds
For the Fiscal Year Ended August 31, 2021

<u>Data Control Codes</u>		211	224	225
		<u>Title I Part A Improving Basic Programs</u>	<u>IDEA - Part B, Formula</u>	<u>IDEA - Part B, Preschool</u>
REVENUES				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	1,260,303	1,345,601	23,839
5020	Total revenues	<u>1,260,303</u>	<u>1,345,601</u>	<u>23,839</u>
EXPENDITURES				
Current:				
0011	Instruction	153,603	1,077,317	23,839
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	1,103,133	-	-
0021	Instructional leadership	-	39,892	-
0023	School leadership	3,232	-	-
0031	Guidance, counseling, and evaluation services	335	228,392	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0052	Security and monitoring services	-	-	-
6030	Total expenditures	<u>1,260,303</u>	<u>1,345,601</u>	<u>23,839</u>
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning	-	-	-
3000	FUND BALANCES - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

240	244	255	263	266
National School Breakfast and Lunch Program	Career and Technical - Basic Grant	ESSA, Title II, Part A,: Teacher and Principal Training and Recruiting	Title III, Part A, English Language Acquisition and Enhancement	Elementary and Secondary School Emergency Relief Funds - CARES Act
\$ 956,167	\$ -	\$ -	\$ -	\$ -
24,495	-	-	-	-
3,362,109	77,229	204,106	107,713	81,135
4,342,771	77,229	204,106	107,713	81,135
-	77,229	-	59,954	81,135
-	-	-	-	-
-	-	203,045	47,759	-
-	-	-	-	-
-	-	682	-	-
-	-	379	-	-
-	-	-	-	-
4,132,871	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,132,871	77,229	204,106	107,713	81,135
209,900	-	-	-	-
724,661	-	-	-	-
\$ 934,561	\$ -	\$ -	\$ -	\$ -

Willis Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances

Nonmajor Governmental Funds – Special Revenue Funds – Continued

For the Fiscal Year Ended August 31, 2021

Data Control Codes		272	276	277
		MAC Program	School Improvement Grants	Governor's Emergency Education Relief Funds - CARES Act
REVENUES				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	29,029	12,106	1,854,015
5020	Total revenues	29,029	12,106	1,854,015
EXPENDITURES				
Current:				
0011	Instruction	-	12,106	1,281,965
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0052	Security and monitoring services	-	-	572,050
6030	Total expenditures	-	12,106	1,854,015
1200	Net change in fund balances	29,029	-	-
0100	Fund balances - beginning	128,973	-	-
3000	FUND BALANCES - ENDING	<u>\$ 158,002</u>	<u>\$ -</u>	<u>\$ -</u>

281	282	288	289	385
ESSER II	ESSER III	Teaching American History Grant	Improving Academic Achievement (Summer School LEP)	Supplemental Visually Impaired
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	4,225
324,216	-	-	45,916	-
324,216	-	-	45,916	4,225
324,216	-	1,535	25,378	4,495
-	-	-	-	-
-	-	-	16,347	-
-	-	-	-	-
-	-	6,735	350	-
-	-	-	545	-
-	-	-	3,296	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
324,216	-	8,270	45,916	4,495
-	-	(8,270)	-	(270)
-	-	8,270	-	270
\$ -	\$ -	\$ -	\$ -	\$ -

Willis Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances

Nonmajor Governmental Funds – Special Revenue Funds – Continued

For the Fiscal Year Ended August 31, 2021

		393	397	410
<u>Data Control Codes</u>		<u>Texas Successful Schools</u>	<u>Advanced Placement Incentives</u>	<u>State Textbook Fund</u>
REVENUES				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	2,250	282,669
5900	Federal program revenues	-	-	-
5020	Total revenues	-	2,250	282,669
EXPENDITURES				
Current:				
0011	Instruction	725	9,571	341,217
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0052	Security and monitoring services	-	-	-
6030	Total expenditures	725	9,571	341,217
1200	Net change in fund balances	(725)	(7,321)	(58,548)
0100	Fund balances - beginning	725	7,321	58,548
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

428	429	461	Total Nonmajor Funds (See Exhibit C-2)
<u>School Safety and Security</u>	<u>Prekindergarten Grant Program</u>	<u>Campus Activity Funds</u>	
\$ -	\$ -	\$ 561,869	\$ 1,518,036
-	3,150	-	316,789
-	-	-	8,727,317
-	3,150	561,869	10,562,142
12,091	3,286	45,225	3,534,887
-	-	12,573	12,573
-	-	-	1,370,284
-	-	-	39,892
-	-	-	10,999
27,256	-	103	257,010
-	-	-	3,296
-	-	-	4,132,871
-	-	436,254	436,254
-	-	-	572,050
<u>39,347</u>	<u>3,286</u>	<u>494,155</u>	<u>10,370,116</u>
(39,347)	(136)	67,714	192,026
<u>51,010</u>	<u>3,152</u>	<u>653,208</u>	<u>1,636,138</u>
<u>\$ 11,663</u>	<u>\$ 3,016</u>	<u>\$ 720,922</u>	<u>\$ 1,828,164</u>

Willis Independent School District
Combining Statement of Net Position
Internal Service Fund
August 31, 2021

Exhibit I-1

<u>Data Control Codes</u>		<u>753</u>	<u>755</u>	<u>Total Internal Service Funds (See Exhibit D-1)</u>
		<u>Health Insurance Fund</u>	<u>Workers' Compensation Fund</u>	
	ASSETS			
	Current assets:			
1110	Cash and cash equivalents	\$ 788,964	\$ 777,367	\$ 1,566,331
1120	Current investments	1,700,598	-	1,700,598
	Total current assets	<u>2,489,562</u>	<u>777,367</u>	<u>3,266,929</u>
1000	Total assets	<u><u>2,489,562</u></u>	<u><u>777,367</u></u>	<u><u>3,266,929</u></u>
	LIABILITIES			
	Current liabilities:			
2110	Accounts payable	199,527	11,755	211,282
2200	Accrued liabilities	426,548	151,323	577,871
	Total current liabilities	<u>626,075</u>	<u>163,078</u>	<u>789,153</u>
2000	Total liabilities	<u>626,075</u>	<u>163,078</u>	<u>789,153</u>
	NET POSITION			
3900	Unrestricted	<u>1,863,487</u>	<u>614,289</u>	<u>2,477,776</u>
3000	TOTAL NET POSITION	<u><u>\$ 1,863,487</u></u>	<u><u>\$ 614,289</u></u>	<u><u>\$ 2,477,776</u></u>

Willis Independent School District
Combining Statement of Revenues, Expenses,
and Changes in Net Position
Internal Service Fund
For the Fiscal Year Ended August 31, 2021

Exhibit I-2

<u>Data Control Codes</u>	753	755	Total Internal Service Funds (See Exhibit D-2)
	Health Insurance Fund	Workers' Compensation Fund	
OPERATING REVENUES			
5700	\$ 5,908,355	\$ 452,080	\$ 6,360,435
5020	5,908,355	452,080	6,360,435
OPERATING EXPENSES:			
6200	518,864	268,476	787,340
6300	14,140	-	14,140
6400	6,666,851	15,552	6,682,403
6030	7,199,855	284,028	7,483,883
1100	(1,291,500)	168,052	(1,123,448)
NONOPERATING REVENUES (EXPENSES)			
7915	1,000,000	-	1,000,000
7955	2,962	-	2,962
8911	-	(1,000,000)	(1,000,000)
7950	1,002,962	(1,000,000)	2,962
1300	(288,538)	(831,948)	(1,120,486)
0100	2,152,025	1,446,237	3,598,262
3300	\$ 1,863,487	\$ 614,289	\$ 2,477,776

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Willis Independent School District
Combining Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended August 31, 2021

Exhibit I-3

	753	755	Total Internal Service Funds (See Exhibit D-3)
	Health Insurance Fund	Workers' Compensation Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from user charges	\$ 6,489,667	\$ 1,021,557	\$ 7,511,224
Cash payments for insurance claims	(6,038,453)	(15,552)	(6,054,005)
Cash payments for other operating expenses	(1,309,570)	(184,971)	(1,494,541)
Net cash provided by (used for) operating activities	(858,356)	821,034	(37,322)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	2,962	-	2,962
Sale of investments	373,659	-	373,659
Net cash provided by investing activities	376,621	-	376,621
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	1,000,000	-	1,000,000
Transfers out	-	(1,000,000)	(1,000,000)
Net cash provided by noncapital financing activities	1,000,000	(1,000,000)	-
Net increase (decrease) in cash and cash equivalents	518,265	(178,966)	339,299
Cash and cash equivalents at the beginning of the year	270,699	956,333	1,227,032
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 788,964</u>	<u>\$ 777,367</u>	<u>\$ 1,566,331</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$ (1,291,500)	\$ 168,052	\$ (1,123,448)
Effect of increases and decreases in current assets and liabilities:			
(Increase) decrease in due from other funds	581,312	569,477	1,150,789
Increase (decrease) in accounts payable	(162,710)	8,592	(154,118)
Increase (decrease) in accrued liabilities	14,542	74,913	89,455
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (858,356)</u>	<u>\$ 821,034</u>	<u>\$ (37,322)</u>

Willis Independent School District
 Schedule of Delinquent Taxes Receivable
 For the Fiscal Year Ended August 31, 2021

Year Ended August 31,	1		2		3	
	Tax Rates				Assessed/ Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2012 and prior years	\$	Various	\$	Various	\$	Various
2013		1.04000		0.330000		2,262,200,949
2014		1.04000		0.350000		2,364,654,317
2015		1.04000		0.350000		2,539,472,571
2016		1.04000		0.350000		2,709,205,759
2017		1.04000		0.350000		3,045,105,911
2018		1.04000		0.350000		3,326,908,645
2019		1.04000		0.320000		3,549,280,648
2020		0.97000		0.300000		3,865,101,417
2021		0.91710		0.300000		4,115,866,527

1000 TOTALS

9000 - Portion of row 1000 for taxes paid into tax increment zone under chapter 311, tax code

10	20	31	32	40	50
<u>Beginning Balance 9/1/20</u>	<u>Current Year's Total Levy</u>	<u>Maintenance Collections</u>	<u>Debt Service Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 8/31/21</u>
\$ 296,156	\$ -	\$ 17,902	\$ 5,680	\$ (27,311)	\$ 245,263
69,233	-	4,317	1,370	(173)	63,373
77,155	-	6,313	2,125	(174)	68,543
88,282	-	10,909	3,671	(747)	72,955
109,329	-	28,725	9,667	17,667	88,604
146,128	-	35,871	12,072	16,891	115,076
241,861	-	61,394	20,662	23,760	183,565
367,173	-	90,017	27,697	(8,006)	241,453
750,668	-	293,948	90,912	(42,900)	322,908
-	51,458,069	38,308,229	12,531,315	-	618,525
<u>\$ 2,145,985</u>	<u>\$ 51,458,069</u>	<u>\$ 38,857,625</u>	<u>\$ 12,705,171</u>	<u>\$ (20,993)</u>	<u>\$ 2,020,265</u>
		\$ -	\$ -		

Willis Independent School District
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance – Budget and Actual
 National School Breakfast and Lunch Program
 For the Fiscal Year Ended August 31, 2021

Exhibit J-2

<u>Data Control Codes</u>		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 1,208,077	\$ 1,208,077	\$ 956,167	\$ (251,910)
5800	State program revenues	-	-	24,495	24,495
5900	Federal program revenues	3,465,079	3,465,079	3,362,109	(102,970)
5020	Total revenues	4,673,156	4,673,156	4,342,771	(330,385)
EXPENDITURES					
Current:					
0035	Food services	4,553,156	4,553,156	4,132,871	420,285
0051	Plant maintenance and operations	120,000	120,000	-	120,000
6030	Total expenditures	4,673,156	4,673,156	4,132,871	540,285
1200	Net change in fund balance	-	-	209,900	209,900
0100	Fund balance - beginning	724,661	724,661	724,661	-
3000	FUND BALANCE - ENDING	\$ 724,661	\$ 724,661	\$ 934,561	\$ 209,900

Willis Independent School District
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance – Budget and Actual
 Debt Service Fund
 For the Fiscal Year Ended August 31, 2021

Exhibit J-3

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 12,628,945	\$ 12,628,945	\$ 12,850,821	\$ 221,876
5800	State program revenues	-	-	183,087	183,087
5020	Total revenues	12,628,945	12,628,945	13,033,908	404,963
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	3,976,694	3,976,694	3,976,694	-
0072	Interest on long-term debt	8,652,251	8,658,511	8,658,511	-
0073	Issuance costs and fees	-	747,342	746,892	450
6030	Total expenditures	12,628,945	13,382,547	13,382,097	450
1100	Excess (deficiency) of revenues over (under) expenditures	-	(753,602)	(348,189)	405,413
OTHER FINANCING SOURCES (USES)					
7916	Premium or discount on issuance of bonds	-	-	1,495,716	1,495,716
7080	Total other financing sources (uses)	-	-	1,495,716	1,495,716
1200	Net change in fund balance	-	(753,602)	1,147,527	1,901,129
0100	Fund balance - beginning	3,813,048	3,813,048	3,813,048	-
3000	FUND BALANCE - ENDING	\$ 3,813,048	\$ 3,059,446	\$ 4,960,575	\$ 1,901,129

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Overall Compliance, Internal Control Section and Federal Awards

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Willis Independent School District (the District) as of and for the fiscal year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2022

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned cost as item 2021-001 that we consider to be a significant deficiency.

The Board of Trustees of
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*.

District's Response to Finding

The District's response to the findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
January 12, 2022



**Independent Auditor's Report on Compliance for Each Major Federal
Program and Report on Internal Control over Compliance
in Accordance with the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited 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 fiscal year ended August 31, 2021. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended August 31, 2021.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
January 12, 2022

Willis Independent School District
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended August 31, 2021

Section 1. Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| <i>a.</i> Material weakness(es) identified? | No |
| <i>b.</i> Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes, 2021-001 |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| <i>a.</i> Material weakness(es) identified? | No |
| <i>b.</i> Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5. Type of auditor's report issued on compliance with major programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Identification of major programs: | |
| a) Child Nutrition Cluster | |
| b) 84.425 –COVID-19 - Elementary and Secondary School Emergency Relief Fund | |
| c) 21.019 – Coronavirus Relief Fund | |
| 8. Dollar threshold used to distinguish between Type A and Type B federal programs | \$750,000 |
| 9. Auditee qualified as a low-risk auditee? | No |

Willis Independent School District

Schedule of Findings and Questioned Costs – Continued

For the Fiscal Year Ended August 31, 2021

Section 2. Financial Statement Findings

Finding 2021-001: Improper Cutoff

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Criteria

Management is responsible for establishing and maintaining effective internal control over financial reporting and proper accounting practices to maintain accurate and complete accounting records. The existence of a misstatement in the financial statements is an indication of a weakness in internal controls.

Condition

During our audit procedures, we noted 3 invoices totaling \$799,365 for ongoing construction projects that were not identified and recorded as liabilities which resulted in an understatement of accounts payable and capital expenditures. We also noted transfers recorded in the incorrect period.

Cause

In the preparation of its financial records for the year ended August 31, 2021 the District did not identify and accrue certain capital project expenditures incurred during the period. The District also recorded transfers in the incorrect period. These misstatements were concentrated around the end-of-year cutoff period and because these errors were not detected timely, there is an indication that closing procedures, specifically the monitoring and review of invoices received subsequent to year-end and other year-end transactions, were not being effectively performed.

Effect or Potential Effect

Misstatement of the District's financial statements was not prevented or detected and corrected by the District's system of internal control.

Recommendation

We recommend accounting policies and procedures be modified and implemented to ensure accurate cutoff of fiscal year transactions during year-end closing procedures.

Views of Responsible Officials and Planned Corrective Actions

See corrective action plan

Section 3. Federal Award Findings and Questioned Costs

None reported

Willis Independent School District
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended August 31, 2021

Prior Year Findings

Finding 2020-001: Prior Period Adjustments

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Status: Completed

Finding 2020-002: Financial Statement Adjustments

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Status: Completed.



Willis ISD Business Office

Garrett Matej

Asst. Superintendent Business & Finance

612 N Campbell St, Willis, TX, 77378

Phone 936.856.1311 Fax 936.856.4042

Current Year Findings

Finding 2021-001 Improper Cutoff

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Corrective Action Plan

During the period under audit, the District sold bonds in relation to the successful election in November 2020. With these funds becoming available, the district began work on related capital projects during the summer months of 2021. These projects being large in scope and ongoing in nature, were not invoiced until Fall 2021. Ultimately, it was determined that the work performed in relation to these invoices was completed prior to the audit ending date of August 31, 2021 and the expenditures therein should have been accrued back to the current audited year. In this instance, the largest of the 3 invoices referenced did not contain specific dates of work performed; and the timeline had to be verified from the vendor. Moving forward, the District will review and implement improvements to existing internal controls over the year end accounts payable process. This will include verification of timelines, to ensure; to the best of our knowledge, information and resources available, the financial statement are free of misstatements.

Person(s) Responsible

Garrett Matej, Assistant Superintendent for Business and Finance

Anticipated Completion Date

Prior to August 31, 2022

Willis Independent School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2021

Exhibit K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through Texas Education Agency - Cash Assistance:			
COVID-19 - National School Breakfast Program	10.553	71402101	\$ 815,742
COVID-19 - National School Lunch Program	10.555	71302101	1,918,427
Passed Through Texas Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	806780706	319,246
Passed Through Texas Department of Agriculture:			
COVID-19 - School Programs Emergency Operational Cost Reimbursement Program	10.555	806780706	307,885
Total Assistance Listing Number 10.555			2,545,558
Total Child Nutrition Cluster			3,361,300
Passed Through Texas Department of Agriculture:			
COVID-19 - Commodity Storage and Delivery	10.560	806780706	809
TOTAL U.S. DEPARTMENT OF AGRICULTURE			3,362,109
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency:			
ESSA Title I, Part A - Improving Basic Programs	84.010A	21610101170904	1,343,537
Special Education Cluster (IDEA):			
IDEA - Part B, Formula	84.027A	216600011709046000	1,345,601
IDEA - Part B, Preschool	84.173A	216610011709046000	23,839
Total Special Education Cluster (IDEA)			1,369,440
Career and Technology - Basic Grant	84.048A	21420006170904	77,229
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	21671001170904	107,713
ESSA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	21694501170904	215,051
Title IV, Part A, Subpart 1	84.424A	21680101170904	48,339
Instruction Continuity	84.377	17610740170904	12,106
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	20521001170904	81,135
COVID-19 - Operation Connectivity - Prior Purchase Reimbursement Program	84.425D	52102135	933,734
Total Assistance Listing Number 84.425D			1,014,869
TOTAL U.S. DEPARTMENT OF EDUCATION			4,188,284
U.S. DEPARTMENT OF INTERIOR			
Passed Through Montgomery County, Texas:			
National Forest Acquired Lands - (ONRR Funds)	15.438	026051276	2,500
Passed Through San Jacinto County, Texas:			
National Forest Acquired Lands - (ONRR Funds)	15.438	067899708	909
Total Assistance Listing Number 15.438			3,409
TOTAL U.S. DEPARTMENT OF INTERIOR			3,409
U.S. DEPARTMENT OF THE TREASURY			
Passed Through Montgomery County, Texas:			
COVID-19 - Coronavirus Relief Funds	21.019	N/A	1,854,332
COVID-19 - Remote Learning Operation Connectivity	21.019	N/A	260,885
Passed Through State Department of Education:			
COVID-19 - Remote Learning Operation Connectivity	21.019	52202002	260,885
Passed Through Education Service Center Region 4 - Non-Cash Assistance:			
COVID-19 - Remote Learning Operation Connectivity	21.019	205220017110001	521,770
Passed Through Texas Division of Emergency Management:			
COVID-19 - Coronavirus Relief Fund	21.019	2020-CF-21019	28,912
Total Assistance Listing Number 21.019			2,926,784
TOTAL U.S. DEPARTMENT OF THE TREASURY			2,926,784
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medicaid Cluster:			
Passed Through Texas Health and Human Services Commission			
Medicaid Administrative Claiming (MAC)	93.600	529-07-0157-00067	29,029
Total Medicaid Cluster			29,029
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			29,029
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 10,509,615

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Willis Independent School District

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Willis Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Non-cash assistance, including National School Breakfast and Lunch Program non-cash commodities and in-kind donations, are recorded at their estimated market value at the time of donation.

Note 2. De Minimis Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Note 3. Reconciliation to the Basic Financial Statements

Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 10,509,615
General fund - federal revenue:	
School Health and Related Services	938,996
JROTC	74,568
	<hr/>
Total federal revenues per Exhibit C-2	\$ 11,523,179

Willis Independent School District
 Schedule of Required Responses to Selected
 School FIRST Indicators (Unaudited)
 For the Fiscal Year Ended August 31, 2021

Exhibit L-1

<u>Data Codes</u>		<u>Responses</u>
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? (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.)	Yes
	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.	
	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.	
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 funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 1,831,936