

WILLIS INDEPENDENT
SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2019

Willis Independent School District
Annual Financial Report
For The Year Ended August 31, 2019

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditors' Report.....	5	
Management's Discussion and Analysis (Required Supplementary Information).....	11	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	21	A-1
Statement of Activities.....	22	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	24	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	27	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	28	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	31	C-3
Statement of Net Position - Proprietary Funds.....	33	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Funds.....	35	D-2
Statement of Cash Flows - Proprietary Funds.....	37	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	39	E-1
Notes to the Financial Statements	41	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	68	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System of Texas (TRS).....	70	G-2
Schedule of District Contributions - Teacher Retirement System of Texas (TRS).....	72	G-3
Schedule of the District's Proportionate Share of the Net OPEB Liability - Texas Public		
School Retired Employees Group Insurance Program (TRS-Care).....	75	G-4
Schedule of District Contributions - Texas Public School Retired Employees		
Group Insurance Program (TRS-Care).....	77	G-5
<u>Combining Statements as Supplementary Information:</u>		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	80	H-1
Combining Statement of Revenues, Expenditures, and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	86	H-2

Willis Independent School District
Annual Financial Report
For The Year Ended August 31, 2019

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Internal Service Funds:		
Combining Statement of Net Position.....	93	H-3
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position.....	95	H-4
Combining Statement of Cash Flows.....	97	H-5
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	100	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	103	J-2
Debt Service.....	105	J-3
 FEDERAL AWARDS AND OTHER COMPLIANCE SECTION		
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	109	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	111	
Schedule of Findings and Questioned Costs	113	
Summary Schedule of Prior Audit Findings.....	115	
Schedule of Expenditures of Federal Awards	116	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	119	
Schedule of Required Responses to Selected School First Indicators.....	121	L-1

Introductory Section

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CERTIFICATE OF 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 (check one) ☒ approved ☐ disapproved for the year ended August 31, 2019, at a meeting of the board of trustees of such school district on the 10th day of February, 2020.



Signature of Board Secretary



Signature of Board President

If the board of trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Willis Independent School District:

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 year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension and other postemployment benefits liability, and schedules of District contributions, identified as Required Supplementary Information on 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.

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 introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other 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 introductory section and the schedule of required responses to selected school first indicators have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The logo for Belt Harris Pechacek, LLP features the names 'BELT', 'HARRIS', and 'PECHACEK' in a stylized, serif font, with 'LLP' in a smaller, sans-serif font to the right. The letters are dark red or maroon.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 27, 2020

Management's Discussion & Analysis (MD&A)

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2019

This discussion and analysis of Willis Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2019. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2019 was \$39,473,658.
- For the fiscal year ended August 31, 2019, the District's general fund reported a total fund balance of \$35,507,876, of which \$22,285,000 is committed, \$10,742 is nonspendable, and \$13,212,134 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$89,789,105.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- The *proprietary fund* statements provide additional detail for the business-type activities information shown in the District's *government-wide financial statements* and information related to the District's internal service funds (the District's insurance fund and public entity risk pool).
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the fiduciary resources belong. These funds includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets and liabilities and is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base, staffing patterns, enrollment, and attendance.

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2019

The government-wide financial statements of the District include the *governmental activities* and *business-type activities*. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities. The District's *business-type activities* include day care operations, where the intent is to recover all or a significant portion of the costs through user fees and charges.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* – The District maintains two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for day care activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for health insurance fund and workers' compensation insurance and are shown in a separate statement of net position and statement of changes in net position.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$39,473,658 at August 31, 2019. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2019. Revenues for the District increased significantly in operating grants and contributions due to prior year negative revenues related to nonemployer contributing entity (NECE) on-behalf accruals for the other postemployment benefits (OPEB) plan. Property tax revenues increased due to the increase in the assessed value of properties within the District. There were significant increases in instruction; school leadership; guidance, counseling, and evaluation services; food services; and general administration expenses due to prior year negative expenses related to the NECE on-behalf accruals for the OPEB plan and the increases in net pension/OPEB liabilities in the current year. *Table 1* indicates the overall condition of the District improved. The District's current assets decreased and capital assets increased related to the purchase of capital assets from the prior year bond issue. The District's long-term liabilities increased primarily due to the increases in the District's net pension and OPEB liabilities. *Table 2* reflects the District reporting an overall increase in net position of \$8,144,686.

Table 1
Net Position

Description	Governmental Activities		Total Change
	2019	2018	2019-2018
Current assets	\$ 103,113,830	\$ 109,117,811	\$ (6,003,981)
Capital assets	149,786,270	134,757,753	15,028,517
Total Assets	252,900,100	243,875,564	9,024,536
Deferred outflows related to pensions	11,615,945	4,947,997	6,667,948
Deferred outflows related to OPEB	2,275,172	352,458	1,922,714
Total Deferred Outflows of Resources	13,891,117	5,300,455	8,590,662
Current liabilities	10,396,988	6,541,335	3,855,653
Long-term liabilities	204,074,749	196,160,980	7,913,769
Total Liabilities	214,471,737	202,702,315	11,769,422
Deferred charge on refunding	3,673,668	4,083,028	(409,360)
Deferred inflows related to pensions	1,184,563	1,907,579	(723,016)
Deferred inflows related to OPEB	7,987,591	9,154,125	(1,166,534)
Total Deferred Inflows of Resources	12,845,822	15,144,732	(2,298,910)
Net Position:			
Net investment in capital assets	32,346,176	29,641,164	2,705,012
Restricted	14,380,940	11,439,075	2,941,865
Unrestricted	(7,253,458)	(9,751,267)	2,497,809
Total Net Position	\$ 39,473,658	\$ 31,328,972	\$ 8,144,686

WILLIS INDEPENDENT SCHOOL DISTRICT*MANAGEMENT'S DISCUSSION AND ANALYSIS**FOR THE YEAR ENDED AUGUST 31, 2019*

Description	Business-Type Activities		Total Change
	2019	2018	2019-2018
Current assets	\$ 591,840	\$ 533,248	\$ 58,592
Total Assets	591,840	533,248	58,592
Current liabilities	601	556	45
Total Liabilities	601	556	45
Net Position:			
Unrestricted	591,239	532,692	58,547
Total Net Position	\$ 591,239	\$ 532,692	\$ 58,547

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2019

Table 2

Changes in Net Position

	Governmental Activities		Total Change
	2019	2018	2019-2018
Revenues			
Program revenues:			
Charges for services	\$ 2,280,629	\$ 2,252,940	\$ 27,689
Operating grants and contributions	13,550,939	(552,587)	14,103,526
General revenues:			
Property taxes	49,971,189	46,597,500	3,373,689
Grants and contributions not restricted	23,855,328	24,515,227	(659,899)
Investment earnings	2,521,556	2,134,851	386,705
Miscellaneous	302,989	318,662	(15,673)
Total Revenue	92,482,630	75,266,593	17,216,037
Expenses			
Instruction	41,588,897	27,960,466	13,628,431
Instructional resources and media services	274,737	63,028	211,709
Curriculum and staff development	1,730,379	829,148	901,231
Instructional leadership	242,669	137,281	105,388
School leadership	4,790,693	3,193,275	1,597,418
Guidance, counseling, and evaluation services	2,390,591	1,447,455	943,136
Social work services	174,727	155,831	18,896
Health services	816,924	574,020	242,904
Student (pupil) transportation	3,804,914	3,183,992	620,922
Food services	4,320,196	2,012,599	2,307,597
Cocurricular/extracurricular activities	3,862,270	3,041,497	820,773
General administration	2,030,389	1,387,347	643,042
Plant maintenance and operations	7,553,061	6,687,268	865,793
Security and monitoring	706,499	671,909	34,590
Data processing services	521,122	471,554	49,568
Community services	76,010	16,497	59,513
Interest on long-term debt	8,906,966	7,014,311	1,892,655
Payments related to shared services arrangements	-	6,776	(6,776)
Payments to juvenile justice alternative ed. Programs	9,265	8,670	595
Other intergovernmental charges	537,635	420,784	116,851
Total Expenses	84,337,944	59,283,708	25,054,236
Change in Net Position	8,144,686	15,982,885	(7,838,199)
Beginning net position	31,328,972	15,346,087	15,982,885
Ending Net Position	\$ 39,473,658	\$ 31,328,972	\$ 8,144,686

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2019

	Business-Type Activities		Total Change
	2019	2018	2019-2018
Revenues			
Program revenues:			
Charges for services	\$ 105,020	\$ 122,485	\$ (17,465)
General revenues:			
Miscellaneous	1,699	-	1,699
Total Revenue	106,719	122,485	(15,766)
Expenses			
Community services	48,172	53,402	(5,230)
Total Expenses	48,172	53,402	(5,230)
Change in Net Position	58,547	69,083	(10,536)
Beginning net position	532,692	463,609	69,083
Ending Net Position	\$ 591,239	\$ 532,692	\$ 58,547

Revenues from governmental activities totaled \$92,482,630, which is an increase of \$17,216,037 from the 2018 fiscal year. Property tax revenue is the District's largest revenue source, which totaled \$49,971,189 for the year. This represents an increase of \$3,373,689 compared to the previous year. Grant revenue fluctuates based on weighted average daily attendance. Restricted operating grants and contribution increased \$14,103,526 compared to the previous year. The District's operating grants and contributions increased significantly due to the prior year decrease in on-behalf revenues related to the decrease in pension and OPEB liabilities. In total, revenues for the year increased 18.62% from the prior year.

Expenses for governmental activities totaled \$84,337,944, which is an increase of \$25,054,236 from the 2018 fiscal year. This is primarily due to an increase in expenses for instruction; school leadership; food services; guidance, counseling, and evaluation services; and interest on long-term debt, which is the result of the increase in OPEB liability, pension liability, and the related decrease in on-behalf expenses. In total, expenses for the year increased 29.71% from the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2019, the District's combined governmental funds reported a fund balance of \$89,789,105. This compares to a combined fund balance of \$99,138,364 at August 31, 2018. The fund balance in the general fund increased due to an increase in property tax revenues and a decrease in instruction expenditures. The fund balance in the debt service fund increased slightly due to a decrease in interest on long-term debt payments. The fund balance in the capital projects fund decreased primarily due to expenditures of bond proceeds received in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the debt service fund, and the food service special revenue fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2019, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The final amended budget for the general fund included additional expenditures of \$1,570,820 and additional revenues of \$80,245 from the original budget. The majority of the additional appropriations were related to student transportation, plant maintenance and operations, and capital outlay. The general fund's actual revenues exceeded budgeted revenues by \$5,141,586 and the budgeted expenditures exceeded actual expenditures by \$2,519,506. The greatest positive expenditure variance was in plant maintenance and operations due to less than anticipated plant operations expenditures.

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2019

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2019, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2019, the District had a total of \$149,786,270 invested in capital assets (net of accumulated depreciation) such as land, buildings, and District equipment. This total includes \$20,402,360 invested during the fiscal year ended August 31, 2019.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At year end, the District had \$145,812,982 in long-term debt outstanding versus \$149,791,702 last year. The net decrease totaled \$3,978,720 primarily due to principal debt payments.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following factors were considered in establishing the District's budget for 2019-2020:

- Property values for ad valorem tax purposes increased for 2019-2020 compared to 2018-2019.
- No new programs were added and no significant changes to existing programs occurred during the current year and no significant changes are planned for 2019-2020.
- The District budgeted revenues of \$63,792,597 and expenditures of \$63,792,597 for an even budget for 2019-2020. This is an increase of 4.03% from the prior year budget.
- The District's maintenance and operations 2019-2020 tax rate is \$0.97 per \$100 of property valuation and the interest and sinking 2019-2020 tax rate is \$0.30 per \$100 of property valuation for no change from the prior year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Willis Independent School District business office at 204 West Rogers, Willis, Texas, 77378 or at (936)-856-1200.

Basic Financial Statements

WILLIS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION**

AUGUST 31, 2019

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS:			
1110 Cash and Cash Equivalents	\$ 5,729,881	\$ 443,925	\$ 6,173,806
1120 Current Investments	94,872,153	--	94,872,153
1220 Property Taxes Receivable	2,083,764	--	2,083,764
1230 Allowance for Uncollectible Taxes	(474,745)	--	(474,745)
1240 Due from Other Governments	476,370	--	476,370
1260 Internal Balances	(147,915)	147,915	--
1290 Other Receivables (Net)	422,598	--	422,598
1300 Inventories	10,742	--	10,742
1410 Prepaid Items	140,982	--	140,982
Capital Assets:			
1510 Land	8,543,893	--	8,543,893
1520 Buildings and Improvements, Net	135,350,990	--	135,350,990
1530 Furniture and Equipment, Net	1,819,179	--	1,501,095
1540 Vehicles, Net	3,243,972	--	3,562,056
1580 Construction in Progress	828,236	--	828,236
1000 Total Assets	<u>252,900,100</u>	<u>591,840</u>	<u>253,491,940</u>
DEFERRED OUTFLOWS OF RESOURCES:			
1705 Deferred Outflows Related to Pensions	11,615,945	--	11,615,945
1706 Deferred Outflows Related to OPEB	2,275,172	--	2,275,172
1700 Total Deferred Outflows of Resources	<u>13,891,117</u>	<u>--</u>	<u>13,891,117</u>
LIABILITIES:			
2110 Accounts Payable	1,879,996	--	1,879,996
2140 Interest Payable	2,215,287	--	2,215,287
2165 Accrued Liabilities	5,937,254	601	5,937,855
2300 Unearned Revenue	364,451	--	364,451
Noncurrent Liabilities:			
2501 Due Within One Year	4,068,995	--	4,068,995
2502 Due in More Than One Year	153,131,725	--	153,131,725
2540 Net Pension Liability	21,614,753	--	21,614,753
2545 Net OPEB Liability	25,259,276	--	25,259,276
2000 Total Liabilities	<u>214,471,737</u>	<u>601</u>	<u>214,472,338</u>
DEFERRED INFLOWS OF RESOURCES:			
2601 Deferred Charge on Refunding	3,673,668	--	3,673,668
2605 Deferred Inflows Related to Pensions	1,184,563	--	1,184,563
2606 Deferred Inflows Related to OPEB	7,987,591	--	7,987,591
2600 Total Deferred Inflows of Resources	<u>12,845,822</u>	<u>--</u>	<u>12,845,822</u>
NET POSITION:			
3200 Net Investment in Capital Assets	32,346,176	--	32,346,176
Restricted For:			
3820 State and Federal Programs	5,355,997	--	5,355,997
3850 Debt Service	3,684,612	--	3,684,612
3890 Insurance Claims	3,025,937	--	3,025,937
3890 Public Entity Risk Pool	508,068	--	508,068
3890 Other Restrictions on Fund Balance	1,806,326	--	1,806,326
3890 Childcare Services	--	591,239	591,239
3900 Unrestricted	(7,253,458)	--	(7,253,458)
3000 Total Net Position	<u>\$ 39,473,658</u>	<u>\$ 591,239</u>	<u>\$ 40,064,897</u>

The accompanying notes are an integral part of this statement.

WILLIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2019

		1	3	4
			Program Revenues	
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 41,588,897	\$ 8,600	\$ 5,773,221
12	Instructional Resources and Media Services	274,737	--	258
13	Curriculum and Staff Development	1,730,379	--	647,957
21	Instructional Leadership	242,669	--	61,916
23	School Leadership	4,790,693	--	133,970
31	Guidance, Counseling, and Evaluation Services	2,390,591	--	277,243
32	Social Work Services	174,727	--	870
33	Health Services	816,924	--	213,261
34	Student Transportation	3,804,914	--	(5,454)
35	Food Service	4,320,196	1,074,368	3,355,893
36	Cocurricular/Extracurricular Activities	3,862,270	1,185,464	31,489
41	General Administration	2,030,389	--	47,060
51	Facilities Maintenance and Operations	7,553,061	12,197	63,924
52	Security and Monitoring Services	706,499	--	985
53	Data Processing Services	521,122	--	2,869,290
61	Community Services	76,010	--	79,056
72	Interest on Long-term Debt	8,906,966	--	--
95	Payments to Juvenile Justice Alternative Ed. Programs	9,265	--	--
99	Other Intergovernmental Charges	537,635	--	--
TG	Total Governmental Activities	<u>84,337,944</u>	<u>2,280,629</u>	<u>13,550,939</u>
	Business-type Activities:			
01	Early Bird Child Care	<u>48,172</u>	<u>105,020</u>	<u>--</u>
TB	Total Business-type Activities	<u>48,172</u>	<u>105,020</u>	<u>--</u>
TP	Total Primary Government	<u>\$ 84,386,116</u>	<u>\$ 2,385,649</u>	<u>\$ 13,550,939</u>
	General Revenues:			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
IE	Investment Earnings			
GC	Grants and Contributions Not Restricted to Specific Programs			
MI	Miscellaneous			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

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8

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (35,807,076)	\$ --	\$ (35,807,076)
(274,479)	--	(274,479)
(1,082,422)	--	(1,082,422)
(180,753)	--	(180,753)
(4,656,723)	--	(4,656,723)
(2,113,348)	--	(2,113,348)
(173,857)	--	(173,857)
(603,663)	--	(603,663)
(3,810,368)	--	(3,810,368)
110,065	--	110,065
(2,645,317)	--	(2,645,317)
(1,983,329)	--	(1,983,329)
(7,476,940)	--	(7,476,940)
(705,514)	--	(705,514)
2,348,168	--	2,348,168
3,046	--	3,046
(8,906,966)	--	(8,906,966)
(9,265)	--	(9,265)
(537,635)	--	(537,635)
<u>(68,506,376)</u>	<u>--</u>	<u>(68,506,376)</u>
 --	 56,848	 56,848
 --	 56,848	 56,848
<u>(68,506,376)</u>	<u>56,848</u>	<u>(68,449,528)</u>
 38,472,434	 --	 38,472,434
11,498,755	--	11,498,755
2,521,556	--	2,521,556
23,855,328	--	23,855,328
302,989	1,699	304,688
<u>76,651,062</u>	<u>1,699</u>	<u>76,652,761</u>
8,144,686	58,547	8,203,233
31,328,972	532,692	31,861,664
<u>\$ 39,473,658</u>	<u>\$ 591,239</u>	<u>\$ 40,064,897</u>

WILLIS INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2019

Data Control Codes		10	50
		General Fund	Debt Service
ASSETS:			
1110	Cash and Cash Equivalents	\$ 609,796	\$ 2,084,185
1120	Current Investments	46,245,659	1,385,444
1220	Property Taxes Receivable	1,579,660	504,104
1230	Allowance for Uncollectible Taxes	(358,510)	(116,235)
1240	Due from Other Governments	--	--
1260	Due from Other Funds	947,600	160,248
1266	Due from Internal Service Funds	620,798	--
1290	Other Receivables	132,901	54,735
1300	Inventories	10,742	--
1410	Prepaid Items	--	--
1000	Total Assets	<u>\$ 49,230,646</u>	<u>\$ 4,072,481</u>
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ 1,598,250	\$ --
2150	Payroll Deductions and Withholdings	1,322,195	--
2160	Accrued Wages Payable	4,268,752	--
2170	Due to Other Funds	4,506,275	--
2175	Due to Enterprise Funds	630	--
2176	Due to Internal Service Funds	698,548	--
2200	Accrued Expenditures	103,710	--
2300	Unearned Revenue	3,260	--
2000	Total Liabilities	<u>12,501,620</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES:			
2601	Unavailable Revenue - Property Taxes	1,221,150	387,869
2600	Total Deferred Inflows of Resources	<u>1,221,150</u>	<u>387,869</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410	Inventories	10,742	--
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	--
3470	Capital Acquisitions and Contractual Obligations	--	--
3480	Retirement of Long-Term Debt	--	3,684,612
3490	Other Restrictions of Fund Balance	--	--
Committed Fund Balances:			
3510	Construction	18,725,000	--
3530	Capital Expenditures for Equipment	3,560,000	--
3600	Unassigned	13,212,134	--
3000	Total Fund Balances	<u>35,507,876</u>	<u>3,684,612</u>
Total Liabilities, Deferred Inflows			
4000	of Resources, and Fund Balances	<u>\$ 49,230,646</u>	<u>\$ 4,072,481</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60		98
Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,586	\$ 2,534,271	\$ 5,229,838
43,520,227	868,840	92,020,170
--	--	2,083,764
--	--	(474,745)
--	476,370	476,370
--	4,346,027	4,895,875
--	--	620,798
--	--	187,636
--	--	10,742
--	140,982	140,982
<u>\$ 43,521,813</u>	<u>\$ 8,366,490</u>	<u>\$ 105,191,430</u>
\$ 86,519	\$ 30,378	\$ 1,715,147
--	--	1,322,195
--	231,251	4,500,003
1,000	388,600	4,895,875
--	147,285	147,915
--	34,116	732,664
--	11,346	115,056
--	361,191	364,451
<u>87,519</u>	<u>1,204,167</u>	<u>13,793,306</u>
--	--	1,609,019
--	--	1,609,019
--	--	10,742
--	5,355,997	5,355,997
43,434,294	--	43,434,294
--	--	3,684,612
--	1,806,326	1,806,326
--	--	18,725,000
--	--	3,560,000
--	--	13,212,134
<u>43,434,294</u>	<u>7,162,323</u>	<u>89,789,105</u>
<u>\$ 43,521,813</u>	<u>\$ 8,366,490</u>	<u>\$ 105,191,430</u>

WILLIS INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2019*

Total fund balances - governmental funds balance sheet	\$ 89,789,105
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:	
Capital assets used in governmental activities are not reported in the funds.	149,786,270
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,609,019
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	3,534,005
Payables for bond principal which are not due in the current period are not reported in the funds.	(145,812,982)
Payables for bond interest which are not due in the current period are not reported in the funds.	(2,215,287)
Recognition of the deferred charge on refunding is not reported in the funds.	(3,673,668)
Bond premiums are amortized in the SNP but not in the funds.	(11,387,738)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(21,614,753)
Deferred inflows of resources related to the pension plan are not reported in the funds.	(1,184,563)
Deferred outflows of resources related to the pension plan are not reported in the funds.	11,615,945
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(25,259,276)
Deferred inflows of resources related to the OPEB plan are not reported in the funds.	(7,987,591)
Deferred outflows of resources related to the OPEB plan are not reported in the funds.	2,275,172
Net position of governmental activities - Statement of Net Position	<u>\$ 39,473,658</u>

The accompanying notes are an integral part of this statement.

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		10	50
		General Fund	Debt Service
REVENUES:			
5700	Local and Intermediate Sources	\$ 39,924,972	\$ 11,580,647
5800	State Program Revenues	26,548,990	207,848
5900	Federal Program Revenues	70,743	--
5020	Total Revenues	<u>66,544,705</u>	<u>11,788,495</u>
EXPENDITURES:			
Current:			
0011	Instruction	34,471,882	--
0012	Instructional Resources and Media Services	179,734	--
0013	Curriculum and Staff Development	1,041,125	--
0021	Instructional Leadership	174,731	--
0023	School Leadership	4,134,332	--
0031	Guidance, Counseling, and Evaluation Services	2,024,459	--
0032	Social Work Services	171,588	--
0033	Health Services	617,722	--
0034	Student Transportation	3,735,090	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	1,567,370	--
0041	General Administration	1,921,293	--
0051	Facilities Maintenance and Operations	8,044,074	--
0052	Security and Monitoring Services	692,918	--
0053	Data Processing Services	460,970	--
0061	Community Services	--	--
0071	Principal on Long-term Debt	--	3,978,720
0072	Interest on Long-term Debt	--	7,735,143
0073	Bond Issuance Costs and Fees	--	7,550
0081	Capital Outlay	590,000	--
0095	Payments to Juvenile Justice Alternative		
0095	Education Programs	9,265	--
0099	Other Intergovernmental Charges	537,635	--
6030	Total Expenditures	<u>60,374,188</u>	<u>11,721,413</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>6,170,517</u>	<u>67,082</u>
Other Financing Sources and (Uses):			
7912	Sale of Real or Personal Property	23,030	--
7080	Total Other Financing Sources and (Uses)	<u>23,030</u>	<u>--</u>
1200	Net Change in Fund Balances	6,193,547	67,082
0100	Fund Balances - Beginning	29,314,329	3,617,530
3000	Fund Balances - Ending	<u>\$ 35,507,876</u>	<u>\$ 3,684,612</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60	Nonmajor Governmental Funds	98 Total Governmental Funds
Capital Projects		
\$ 1,205,972	\$ 2,201,860	\$ 54,913,451
--	1,293,637	28,050,475
--	7,566,154	7,636,897
<u>1,205,972</u>	<u>11,061,651</u>	<u>90,600,823</u>
--	3,322,360	37,794,242
--	--	179,734
--	534,969	1,576,094
--	44,609	219,340
--	34,502	4,168,834
--	181,831	2,206,290
--	--	171,588
--	137,426	755,148
--	--	3,735,090
--	3,982,276	3,982,276
--	918,511	2,485,881
--	--	1,921,293
--	120,000	8,164,074
--	--	692,918
--	--	460,970
--	57,710	57,710
--	--	3,978,720
--	--	7,735,143
--	--	7,550
18,543,317	--	19,133,317
--	--	9,265
--	--	537,635
<u>18,543,317</u>	<u>9,334,194</u>	<u>99,973,112</u>
(17,337,345)	1,727,457	(9,372,289)
--	--	23,030
--	--	23,030
(17,337,345)	1,727,457	(9,349,259)
60,771,639	5,434,866	99,138,364
<u>\$ 43,434,294</u>	<u>\$ 7,162,323</u>	<u>\$ 89,789,105</u>

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 YEAR ENDED AUGUST 31, 2019*

Net change in fund balances - total governmental funds	\$ (9,349,259)
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	20,402,360
The depreciation of capital assets used in governmental activities is not reported in the funds.	(5,373,843)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	139,882
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	3,978,720
(Increase) decrease in accrued interest from beginning of period to end of period.	(1,797,583)
The net revenue (expense) of internal service funds is reported with governmental activities.	1,147,326
Deferred charges on refunding are amortized in the SOA, but not in the funds.	409,360
Bond premiums are reported in the funds but not in the SOA.	625,760
Reversal of on-behalf revenues are reported in the funds, but not in the SOA.	(2,732,148)
Reversal of on-behalf expenditures are reported in the funds, but not in the SOA.	2,732,148
GASB 68 on-behalf revenues are reported with governmental activities.	3,173,233
The District's share of the net pension expense is reported with governmental activities.	(4,925,259)
GASB 75 on-behalf revenues are reported with governmental activities.	1,277,972
GASB 75 federal funding recognized in the SOA is reported with governmental activities.	(161)
The District's share of the net OPEB expense is reported with governmental activities.	(1,563,822)
Change in net position of governmental activities - Statement of Activities	<u>\$ 8,144,686</u>

The accompanying notes are an integral part of this statement.

WILLIS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****PROPRIETARY FUNDS****AUGUST 31, 2019**

Data Control Codes		Nonmajor Enterprise Fund Early Bird Child Care	Internal Service Funds
ASSETS:			
Current Assets:			
1110	Cash and Cash Equivalents	\$ 443,925	\$ 500,043
1120	Investments	--	2,851,983
Receivables:			
1260	Due from Other Funds	147,915	732,664
1290	Other Receivables (net)	--	234,962
	Total Current Assets	<u>591,840</u>	<u>4,319,652</u>
1000	Total Assets	<u>\$ 591,840</u>	<u>\$ 4,319,652</u>
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ --	\$ 164,849
2160	Accrued Wages Payable	600	--
2170	Due to Other Funds	--	620,798
2200	Accrued Expenses	1	--
	Total Current Liabilities	<u>601</u>	<u>785,647</u>
2000	Total Liabilities	<u>601</u>	<u>785,647</u>
NET POSITION:			
3800	Restricted	591,239	3,534,005
3000	Total Net Position	<u>\$ 591,239</u>	<u>\$ 3,534,005</u>

The accompanying notes are an integral part of this statement.

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		Nonmajor Enterprise Fund Early Bird Child Care	Internal Service Funds
	OPERATING REVENUES:		
5700	<i>Local and Intermediate Sources</i>	\$ 106,719	\$ 6,703,364
5020	Total Revenues	<u>106,719</u>	<u>6,703,364</u>
	OPERATING EXPENSES:		
6100	<i>Payroll Costs</i>	42,806	--
6200	<i>Professional and Contracted Services</i>	--	5,541,239
6300	<i>Supplies and Materials</i>	402	14,799
6400	<i>Other Operating Costs</i>	4,964	--
6030	Total Expenses	<u>48,172</u>	<u>5,556,038</u>
1300	Change in Net Position	58,547	1,147,326
0100	Total Net Position - Beginning	532,692	2,386,679
3300	Total Net Position - Ending	<u>\$ 591,239</u>	<u>\$ 3,534,005</u>

The accompanying notes are an integral part of this statement.

WILLIS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2019**

	Nonmajor Enterprise Fund Early Bird Child Care	Internal Service Funds
Cash Flows from Operating Activities:		
<i>Cash Received from Customers</i>	\$ 106,719	\$ 6,703,364
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	(148,465)	(701,769)
<i>Cash Payments to Employees for Services</i>	(42,762)	(5,541,239)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(5,365)	(14,586)
Net Cash Provided (Used) by Operating Activities	<u>(89,873)</u>	<u>445,770</u>
Cash Flows from Investing Activities:		
<i>Purchase of Investment Securities</i>	--	(622,622)
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>(622,622)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(89,873)	(176,852)
Cash and Cash Equivalents at Beginning of Year	533,798	676,895
Cash and Cash Equivalents at End of Year	<u>\$ 443,925</u>	<u>\$ 500,043</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 58,547	\$ 1,147,326
Change in Assets and Liabilities:		
<i>Increase (Decrease) in Accounts Payable</i>	--	213
<i>Increase (Decrease) in Accrued Wages Payable</i>	44	--
<i>Increase (Decrease) in Interfund Payables</i>	(148,465)	(701,769)
<i>Increase (Decrease) in Accrued Expenses</i>	1	--
Total Adjustments	<u>(148,420)</u>	<u>(701,556)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (89,873)</u>	<u>\$ 445,770</u>

The accompanying notes are an integral part of this statement.

WILLIS INDEPENDENT SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**AUGUST 31, 2019*

Data Control Codes		Agency Fund	Student Activity
ASSETS:			
1110	Cash and Cash Equivalents	\$	102,862
1120	Current Investments		6,520
1000	Total Assets	\$	109,382
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$	190
2190	Due to Student Groups		109,192
2000	Total Liabilities		109,382
NET POSITION:			
3000	Total Net Position	\$	--

The accompanying notes are an integral part of this statement.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Willis Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State of Texas governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. No other entities have been included in the District's reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

B. 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. 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.

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 funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, 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. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonable equivalent in value to the interfund services provided and other charges between the District's business-type activities and other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following governmental funds:

General Fund

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's business-type activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses includes costs of material, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The proprietary fund type used by the District includes the following:

Internal Service Funds

These funds are used to account for and report revenue and expenses related to services provided to parties inside the District on a cost-reimbursement basis. These funds account for the District's group health insurance benefits and workers' compensation risk management. Because the principal users of the internal service funds are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the governmental-wide financial statements.

Fiduciary Funds

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. 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.

The District has the following type of fiduciary funds:

Agency Funds

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

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.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

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 internal balances in the 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, proprietary fund, and fiduciary fund 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.

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services 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.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have 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 60 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 the revenue source (within 60 days of year end). All other revenue items are considered measurable and available only when cash is received by the District.

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, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

Direct obligations of the U.S. Government
Fully collateralized certificates of deposit and money market accounts
Government investment pools and commercial paper

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

5. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Estimated Useful Life
Buildings and improvements	20 to 40 years
Vehicles	10 to 20 years
Furniture and equipment	8 to 20 years

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so 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/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Receivable and Payables Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

8. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidations. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

10. Fund Balance Policies

Fund balances of governmental funds are 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).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted 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 District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) 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 District's 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 only 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.

11. 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.

12. 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.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

13. Estimates

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

14. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

15. Pensions

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

16. Other Postemployment Benefits

The fiduciary net position of the TRS Texas Public School Retired Employees Group Insurance Program ("TRS-Care") 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 OPEB, 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.

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 (including special assessments) 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

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities 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.

1. Cash Deposits

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,276,666 and the bank balance was \$5,108,626. The District's cash deposits at August 31, 2019, and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments

The District is required by Government Code Chapter 2256, the Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions: 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas; 2) certificates of deposit; 3) certain municipal securities; 4) securities lending program; 5) repurchase agreements; 6) bankers' acceptances; 7) mutual funds; 8) investment pools; 9) guaranteed investment contracts; and 10) commercial paper.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

As of August 31, 2019, the District had the following investments:

<u>Investments</u>	<u>Amount</u>	<u>Rating*</u>	<u>Weighted Average Maturity (Years)</u>
TexPool - Local Government Investment Pool	\$ 4,638,185	AAAm	0.10
Lone Star Investment Pool	83,661,060	AAAm	0.11
TexSTAR Investment Pool	4,531,699	AAAm	0.06
U.S. Government Agency Notes	1,426,615	AAA	0.11
JP Morgan Securities	614,594		
Certificates of Deposit	6,520	N/A	1.03
	<u>\$ 94,878,673</u>		
Portfolio weighted average maturity			0.10

*Rated by Standard & Poor's Investor Services

Fair Value Measurements

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 establishing a three-level fair value hierarchy that describes the inputs 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 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.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

As of August 31, 2019, the District had the following recurring fair value measurements:

Investments by Fair Value Level	August 31, 2019	Fair Value Measurement Using
		Significant Other Observable Inputs
U.S. Government Agency Bonds/Notes		
Federal Home Loan Bank	\$ 607,080	\$ 607,080
Federal Farm Credit Bank	418,383	418,383
Federal National Mortgage Association	401,152	401,152
JP Morgan Securities	614,594	614,594
Total	\$ 2,041,209	\$ 2,041,209

U. S. Government agency bonds and notes and the bank securities are classified in Level 2 of the fair value hierarchy and are valued using the 2 approach.

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The District's policy requires that investment pools must be rated no lower than 'AAA' or 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/P1' as provided by two of the top nationally recognized rating agencies. As of August 31, 2019, the District's investments in TexPool, LoneStar, and TexSTAR were rated 'AAA-m' by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency. More specifically, the U.S. agency securities held by the District as of August 31, 2019 consist of a variety of bonds and discount notes issued by the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and JP Morgan. These investments were rated not less than 'AAA' by both Moody's and Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that the District's deposits may not be returned in the event of a bank failure. The District's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of August 31, 2019, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that 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 in the event of the failure of the counterparty. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

Lone Star

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Associate of School Boards, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both Lone Star members and nonmembers. Lone Star is rated 'AAAm' by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of \$1.00. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight, Corporate Overnight, and Corporate Overnight Plus maintain a net asset value of \$1.00.

TexSTAR

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	Beginning Balances	Increases	(Decreases)	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,678,425	\$ 4,865,468	\$ -	\$ 8,543,893
Construction in progress	42,596,312	590,000	(42,358,076)	828,236
Total capital assets not being depreciated	<u>46,274,737</u>	<u>5,455,468</u>	<u>(42,358,076)</u>	<u>9,372,129</u>
Other capital assets:				
Buildings and improvements	133,676,683	56,489,763	-	190,166,446
Furniture and equipment	3,340,131	241,925	(20,000)	3,562,056
Vehicles	10,384,537	573,280	(419,255)	10,538,562
Total other capital assets	<u>147,401,351</u>	<u>57,304,968</u>	<u>(439,255)</u>	<u>204,267,064</u>
Less accumulated depreciation for:				
Buildings and improvements	(50,144,109)	(4,671,347)	-	(54,815,456)
Furniture and equipment	(1,625,516)	(137,361)	20,000	(1,742,877)
Vehicles	(7,148,710)	(565,135)	419,255	(7,294,590)
Total accumulated depreciation	<u>(58,918,335)</u>	<u>(5,373,843)</u>	<u>439,255</u>	<u>(63,852,923)</u>
Other capital assets, net	<u>88,483,016</u>	<u>51,931,125</u>	<u>-</u>	<u>140,414,141</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 134,757,753</u></u>	<u><u>\$ 57,386,593</u></u>	<u><u>\$ (42,358,076)</u></u>	<u><u>\$ 149,786,270</u></u>

Depreciation was charged to governmental functions as follows:

	Governmental Activities
11 Instruction	\$ 2,320,432
12 Instructional resources/media services	91,931
23 School leadership	378,053
31 Guidance, counseling, and evaluation services	7,062
33 Health services	15,950
34 Student (pupil) transportation	505,871
35 Food service	175,924
36 Extracurricular activities	1,317,862
41 General administration	4,903
51 Plant maintenance and operations	490,536
52 Security and monitoring services	13,581
53 Data processing services	51,738
Total Depreciation Expense	<u><u>\$ 5,373,843</u></u>

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities.

	Original Issue	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
Governmental Activities:						
Bonds, notes, and other payables:						
Series 1998 Bonds	\$ 16,275,076	\$ 1,286,702	\$ -	\$ (363,720)	\$ 922,982	\$ 333,995
Series 2010 Bonds	13,365,000	9,450,000	-	(555,000)	8,895,000	580,000
Series 2012 Bonds	6,160,000	5,625,000	-	(40,000)	5,585,000	45,000
Series 2015 Bonds	27,220,000	23,105,000	-	(2,610,000)	20,495,000	2,695,000
Series 2016 Bonds	71,090,000	71,090,000	-	(295,000)	70,795,000	305,000
Series 2017 Bonds	39,885,000	39,235,000	-	(115,000)	39,120,000	110,000
	<u>173,995,076</u>	<u>149,791,702</u>	<u>-</u>	<u>(3,978,720)</u>	<u>145,812,982</u>	<u>\$ 4,068,995</u>
Other liabilities:						
Issuance premiums/discount	-	12,013,498	-	(625,760)	11,387,738	*
Net pension liability	-	12,471,763	10,465,872	(1,322,882)	21,614,753	-
Net OPEB liability	-	21,884,017	3,724,247	(348,988)	25,259,276	-
Total Governmental Activities	<u>\$ 173,995,076</u>	<u>\$ 196,160,980</u>	<u>\$ 14,190,119</u>	<u>\$ (6,276,350)</u>	<u>\$ 204,074,749</u>	<u>\$ 4,068,995</u>
Long-term liabilities due in more than one year					<u>\$ 200,005,754</u>	
*Debt associated with capital assets					<u>\$ 157,200,720</u>	

Bonded indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the debt service fund. These bonds were issued as unlimited tax school building and refunding bonds. Interest rates on the Series 1998 bonds ranged from 3.90% to 5.75%. Interest rates on the Series 2010 bonds ranged from 1.50% to 4.00%. Interest rates on the Series 2012 bonds ranged from 2.00% to 3.25%. Interest rates on the Series 2015 bonds ranged from 2.00% to 5.00%. Interest rates on the Series 2016 bonds ranged from 2.00% to 5.00%. Interest rates on the Series 2017 bonds ranged from 2.00% to 4.00%. Interest expense was \$7,735,143 for the year ended August 31, 2019.

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The annual requirements to amortize debt issues outstanding at year end were as follows:

Year Ended August 31	Principal	Interest	Total Requirements
2020	\$ 4,068,995	\$ 7,650,955	\$ 11,719,950
2021	4,131,694	7,590,856	11,722,550
2022	4,232,293	7,493,455	11,725,748
2023	5,715,000	5,441,294	11,156,294
2024	5,905,000	5,235,925	11,140,925
2025-2029	29,395,000	22,025,600	51,420,600
2030-2034	25,970,000	16,125,256	42,095,256
2035-2039	26,510,000	10,867,950	37,377,950
2040-2044	32,555,000	4,825,100	37,380,100
2045-2049	7,330,000	146,600	7,476,600
	<u>\$ 145,812,982</u>	<u>\$ 87,402,991</u>	<u>\$ 233,215,973</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

D. Commitments Under Noncapitalized Leases

The District has various operating lease agreements where the future minimum payments are immaterial to the operations of the District and, accordingly, the District has elected not to disclose future payments by fiscal year.

E. Interfund Transactions

The interfund balances and transfers at August 31, 2019 were as follows:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund	\$ 620,798
General Fund	Special Revenue Fund	388,600
General Fund	Capital Projects Fund	1,000
Debt Service Fund	General Fund	160,248
Special Revenue Fund	General Fund	4,346,027
Special Revenue Fund	Internal Service Fund	34,116
Internal Service Fund	General Fund	698,548
Enterprise Fund	General Fund	630
Enterprise Fund	Special Revenue Fund	147,285
	Total	\$ <u>6,397,252</u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

C. Defined Benefit Pension Plan

Teacher Retirement System

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 TRS. It is a defined benefit pension plan 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. TRS'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 TRS.

Pension Plan Fiduciary Net Position

Detailed information about TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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, 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 noted in the Plan Description above.

Contributions

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

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

<u>Contribution Rates</u>	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
NECE (State)	6.8%	6.8%
Employer	6.8%	6.8%

	<u>Measurement Year (2018)</u>	<u>Fiscal Year (2019)</u>
Employer contributions	\$ 1,322,882	\$ 1,408,633
Member contributions	\$ 3,209,267	\$ 3,364,845
NECE on-behalf contributions	\$ 1,961,029	\$ 2,071,005

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

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

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

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

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

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

Actuarial Assumptions

The total pension liability (TPL) in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 and was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	6.907%
Long-term expected investment rate of return	7.25%
Municipal bond rate	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only 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)	2116
Inflation	2.3%
Salary increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad hoc postemployment benefit changes	None

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

Discount Rate

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

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2018 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2018

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Returns	0.0%	0.0%	0.0%
Hedge Funds (Stable Value)	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation-Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy and Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation	0.0%		2.3%
Alpha	0.0%		-0.8%
Total	100.0%		7.1%

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability (NPL) if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the NPL:

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability	<u>\$ 32,621,846</u>	<u>\$ 21,614,753</u>	<u>\$ 12,703,859</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

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

At August 31, 2019, the District reported a liability of \$21,614,753 for its proportionate share of the TRS's NPL. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	21,614,753
State's proportionate share that is associated with the District		32,061,491
Total	\$	<u>53,676,244</u>

The NPL was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the NPL was based on the District's contributions to TRS relative to the contributions of all employers to TRS for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the District's proportion of the collective NPL was 0.03926930%, which was an increase of 0.00026410% from its proportion measured as of August 31, 2017.

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

- The TPL as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions, including post-retirement mortality, termination rates, and rates of retirement, were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions, including rates of salary increase for individual participants, were updated based on the same experience study.
- The discount rate changed from 8.000% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.00% to 7.25%.
- The change in the long-term assumed rate of return, combined with the change in the single discount rate, were the primary reasons for the increase in the NPL.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the year ended August 31, 2019, the District recognized pension expense of \$3,173,233 and revenue of \$3,173,233 for support provided by the State.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 134,729	\$ (530,341)
Changes in actuarial assumptions	7,793,160	(243,536)
Difference between projected and actual investment earnings	-	(410,125)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,279,423	(561)
Contributions paid to TRS subsequent to the measurement date	1,408,633	-
Total	\$ 11,615,945	\$ (1,184,563)

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

Fiscal Year Ended August 31	Pension Expense
2020	\$ 2,405,636
2021	1,542,556
2022	1,301,775
2023	1,495,574
2024	1,413,946
Thereafter	863,262
Total	\$ 9,022,749

D. Defined Other Postemployment Benefit Plan

Plan Description

The District participates in TRS-Care. It is a multiple-employer, cost-sharing defined benefit OPEB plan that has a special funding situation. TRS-Care is administered through a trust by the TRS Board of Trustees (the "Board"). 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 www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)542-6592.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

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

Total OPEB liability	\$	50,729,490,103
Less: plan fiduciary net position		798,574,633
Net OPEB Liability	\$	49,930,915,470

Net position as a percentage of total OPEB liability 1.57%

Benefits Provided

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits, TRS-Care 2 and TRS-Care 3 (the "Optional Health Insurance"). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least ten years of service credit in TRS. The Board is granted the authority to establish basic and optional group insurance coverage for participants, as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments.

The premium rates for the Optional Health Insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage:

TRS-Care Plan Premium Rates
Effective January 1, 2018 - December 31, 2018

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

**or surviving spouse*

Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care 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 does not have the authority to set or amend contribution rates.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

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 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to TRS-Care by type of contributor:

Contribution Rates			
	Fiscal Year		
	2018	2019	
Active employee	0.65%	0.65%	
NECE (State)	1.25%	1.25%	
Employers	0.75%	0.75%	
Federal/private funding remitted by employers	1.25%	1.25%	

	Measurement		Fiscal
	Year (2018)		Year (2019)
Employer contributions	\$ 349,034	\$	364,521
Member contributions	\$ 270,912	\$	284,045
NECE on-behalf contributions	\$ 484,731	\$	546,241

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

TRS-Care received supplemental appropriations from the State as the NECE in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal year 2018-2019 biennium to continue to support TRS-Care. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

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

- A change was made in the measurement date of the total OPEB liability for the TRS 2018 fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This was the first year the roll-forward procedures were used.
- The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the TRS pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability; and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation.
- The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale.
- Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and an initial medical trend rate of 6.75% for non-Medicare retirees were used. The initial prescription drug trend rate was 11.00% for all retirees. The first-year trend rate increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

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

- | | |
|----------------------------------|----------------------------|
| 1. Rates of Mortality | 5. General Inflation |
| 2. Rates of Retirement | 6. Wage Inflation |
| 3. Rates of Termination | 7. Expected Payroll Growth |
| 4. Rates of Disability Incidence | |

Additional actuarial methods and assumptions are as follows:

Valuation date	8/31/2017 rolled forward to 8/31/2018
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	3.69%. Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan-specific experience
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65.
Expenses	Third-party administrative expenses related to the delivery of healthcare benefits are included in the age-adjusted claims costs.
Projected salary increases*	3.05% to 9.05%, including inflation
Ad hoc postemployment benefit changes	None

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

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

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

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because TRS-Care is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the NECE are made at the statutorily required rates. Based on those assumptions, TRS-Care's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability:

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	<u>\$ 30,067,217</u>	<u>\$ 25,259,276</u>	<u>\$ 21,455,885</u>

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate of 8.5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than or 1% higher than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
District's proportionate share of net OPEB liability	<u>\$ 20,978,240</u>	<u>\$ 25,259,276</u>	<u>\$ 30,897,493</u>

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

At August 31, 2019, the District reported a liability of \$25,259,276 for its proportionate share of TRS-Care's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 25,259,276
State's proportionate share that is associated with the District	<u>35,134,208</u>
Total	<u>\$ 60,393,484</u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2017 through August 31, 2018.

At August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.0505885%, compared to 0.0503240% as of August 31, 2018.

Changes Since the Prior Actuarial Valuation

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

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

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

The following are changes in benefit terms since the prior measurement date effective September 1, 2017 by the 85th Texas Legislature:

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

For the year ended August 31, 2019, the District recognized OPEB expense of \$1,277,972 and revenue of \$1,277,972 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of TRS-Care's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,340,416	\$ (398,628)
Changes in actuarial assumptions	421,509	(7,588,963)
Differences between projected and actual investment earnings	4,418	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	144,308	-
Contributions paid to TRS subsequent to the measurement date	364,521	-
Total	\$ 2,275,172	\$ (7,987,591)

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

Fiscal Year Ended August 31	OPEB Expense
2020	\$ (976,190)
2021	(976,190)
2022	(976,190)
2023	(977,026)
2024	(977,503)
Thereafter	(1,193,841)
Total	\$ (6,076,940)

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
FOR THE YEAR ENDED AUGUST 31, 2019

Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$161,327, \$124,727, and \$120,061, respectively.

E. Employee Health Care Coverage

During the year ended August 31, 2019, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2019 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation

During the year ended August 31, 2019, 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 Cooperative 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' injured employees.

The District 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, 2018, the Fund carries a discount reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2019, the Fund anticipated no additional liability to members beyond their contractual obligation for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

G. Unemployment Compensation

During the year ended August 31, 2019, the District provided unemployment compensation coverage to its employees 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 Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

WILLIS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 38,515,841	\$ 38,588,051	\$ 39,924,972	\$ 1,336,921
5800	State Program Revenues	22,726,741	22,734,776	26,548,990	3,814,214
5900	Federal Program Revenues	80,292	80,292	70,743	(9,549)
5020	Total Revenues	61,322,874	61,403,119	66,544,705	5,141,586
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	35,004,893	35,067,103	34,471,882	595,221
0012	Instructional Resources and Media Services	181,645	181,645	179,734	1,911
0013	Curriculum and Staff Development	1,191,831	1,201,831	1,041,125	160,706
	Total Instruction and Instr. Related Services	36,378,369	36,450,579	35,692,741	757,838
Instructional and School Leadership:					
0021	Instructional Leadership	181,739	181,739	174,731	7,008
0023	School Leadership	4,134,332	4,134,332	4,134,332	--
	Total Instructional and School Leadership	4,316,071	4,316,071	4,309,063	7,008
Support Services - Student (Pupil):					
0031	Guidance, Counseling, and Evaluation Services	2,037,045	2,037,045	2,024,459	12,586
0032	Social Work Services	185,917	185,917	171,588	14,329
0033	Health Services	617,948	617,948	617,722	226
0034	Student (Pupil) Transportation	3,621,048	4,121,623	3,735,090	386,533
0036	Cocurricular/Extracurricular Activities	1,678,034	1,678,034	1,567,370	110,664
	Total Support Services - Student (Pupil)	8,139,992	8,640,567	8,116,229	524,338
Administrative Support Services:					
0041	General Administration	1,995,603	1,995,603	1,921,293	74,310
	Total Administrative Support Services	1,995,603	1,995,603	1,921,293	74,310
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	8,711,234	9,111,234	8,044,074	1,067,160
0052	Security and Monitoring Services	754,399	754,399	692,918	61,481
0053	Data Processing Services	477,206	485,241	460,970	24,271
	Total Support Services - Nonstudent Based	9,942,839	10,350,874	9,197,962	1,152,912
Capital Outlay:					
0081	Capital Outlay	--	590,000	590,000	--
	Total Capital Outlay	--	590,000	590,000	--
Intergovernmental Charges:					
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	10,000	10,000	9,265	735
0099	Other Intergovernmental Charges	540,000	540,000	537,635	2,365
	Total Intergovernmental Charges	550,000	550,000	546,900	3,100
6030	Total Expenditures	61,322,874	62,893,694	60,374,188	2,519,506
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(1,490,575)	6,170,517	7,661,092

WILLIS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	\$ --	\$ --	\$ 23,030	\$ 23,030
7080	Total Other Financing Sources and (Uses)	--	--	23,030	23,030
1200	Net Change in Fund Balance	--	(1,490,575)	6,193,547	7,684,122
0100	Fund Balance - Beginning	29,314,329	29,314,329	29,314,329	--
3000	Fund Balance - Ending	<u>\$ 29,314,329</u>	<u>\$ 27,823,754</u>	<u>\$ 35,507,876</u>	<u>\$ 7,684,122</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

WILLIS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)
FOR THE YEAR ENDED AUGUST 31, 2019

	Measurement Year*			
	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0392693%	0.0390052%	0.0361980%	0.0378963%
District's proportionate share of the net pension liability (asset)	\$ 21,614,753	\$ 12,471,763	\$ 13,678,697	\$ 13,395,838
State's proportionate share of the net pension liability (asset) associated with the District	32,061,491	18,887,011	22,386,698	21,163,850
Total	<u>\$ 53,676,244</u>	<u>\$ 31,358,774</u>	<u>\$ 36,065,395</u>	<u>\$ 34,559,688</u>
District's covered payroll**	\$ 41,678,787	\$ 39,972,432	\$ 37,322,171	\$ 35,786,146
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	51.86%	31.20%	36.65%	37.43%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%

* Only five years' worth of information currently available.

** As of the measurement date.

Notes to Required Supplementary Information:

Changes in assumptions

There were changes in assumptions or other inputs that affected measurement of the total pension liability (TPL) since the prior measurement period.

The TPL as of August 31, 2018 was developed using roll-forward method from the August 31, 2017 valuation.

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

Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.

The discount rate changed from 8.00% as of August 31, 2017 to 6.907% as of August 31, 2018.

The long-term assumed rate of return changed from 8.00% to 7.25%.

The change in the long-term assumed rate of return, combined with the change in the single discount rate, were the primary reasons for the increase in the net pension liability.

Changes in benefits

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

EXHIBIT G-2

<u>2014</u>	
0.0244667%	
\$	6,535,394
18,665,631	
\$	<u>25,201,025</u>
\$	34,840,688
18.76%	
83.25%	

WILLIS INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF DISTRICT CONTRIBUTIONS**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)*

FOR THE YEAR ENDED AUGUST 31, 2019

	Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,408,633	\$ 1,322,974	\$ 1,278,273	\$ 1,150,103	\$ 897,108
Contributions in relation to the contractually required contribution	1,408,633	1,322,974	1,278,273	1,150,103	897,108
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 43,699,281	\$ 41,678,787	\$ 39,972,432	\$ 37,322,171	\$ 35,786,146
Contributions as a percentage of covered payroll	3.22%	3.17%	3.20%	3.08%	2.51%

EXHIBIT G-3

Fiscal Year				
2014	2013	2012	2011	2010
\$ 620,299	\$ 469,707	\$ 392,991	\$ 412,361	\$ 377,142
620,299	469,707	392,991	412,361	377,142
\$ --	\$ --	\$ --	\$ --	\$ --
\$ 34,840,688	\$ 33,203,801	\$ 32,090,718	\$ 33,489,278	\$ 32,895,664
1.78%	1.41%	1.22%	1.23%	1.15%

WILLIS INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF THE DISTRICT'S PROPORTIONATE**SHARE OF THE NET OPEB LIABILITY**TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-Care)**FOR THE YEAR ENDED AUGUST 31, 2019*

	Measurement Year*	
	2018	2017
District's proportion of the collective net OPEB liability	0.0505885%	0.0503240%
District's proportionate share of the collective net OPEB liability	\$ 25,259,276	\$ 21,884,017
State proportionate share of the collective net OPEB liability associated with the District	35,134,208	29,772,356
Total	<u>\$ 60,393,484</u>	<u>\$ 51,656,373</u>
District's covered payroll**	\$ 41,678,787	\$ 39,972,432
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	60.60%	54.75%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

* Only two year's worth of information is currently available.

** As of the measurement date.

Notes to Required Supplementary Information:*Changes in Assumptions:*

There were changes in assumptions that affected measurement of the total OPEB liability during the measurement period.

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

Changes in Benefits:

There were changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

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

WILLIS INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF DISTRICT CONTRIBUTIONS**TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-Care)*

FOR THE YEAR ENDED AUGUST 31, 2019

	Fiscal Year*	
	2019	2018
Statutorily or contractually required District contribution	\$ 364,521	\$ 349,034
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	364,521	349,034
Contribution deficiency (excess)	\$ --	\$ --
District's covered payroll**	\$ 43,699,281	\$ 41,678,787
Contributions as a percentage of covered payroll	0.83%	0.84%

* Only two years' worth of information is currently available.

Combining Statements as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

WILLIS INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****AUGUST 31, 2019**

Data Control Codes	211 Title I Part A Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	226 IDEA-B Discretionary
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ 363,632	\$ 5,513	\$ 47,709
1120 <i>Current Investments</i>	--	--	--	--
1240 <i>Due from Other Governments</i>	89,714	94,335	--	--
1260 <i>Due from Other Funds</i>	--	--	--	--
1410 <i>Prepaid Items</i>	140,551	--	354	--
1000 <i>Total Assets</i>	<u>\$ 230,265</u>	<u>\$ 457,967</u>	<u>\$ 5,867</u>	<u>\$ 47,709</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ --	\$ --	\$ --	\$ 5,308
2160 <i>Accrued Wages Payable</i>	3,702	72,488	89	--
2170 <i>Due to Other Funds</i>	226,265	96,362	2,053	42,401
2200 <i>Accrued Expenditures</i>	298	--	--	--
2300 <i>Unearned Revenue</i>	--	289,117	3,725	--
2000 <i>Total Liabilities</i>	<u>230,265</u>	<u>457,967</u>	<u>5,867</u>	<u>47,709</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--	--
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--	--
3000 <i>Total Fund Balances</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 230,265</u>	<u>\$ 457,967</u>	<u>\$ 5,867</u>	<u>\$ 47,709</u>

240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	272 MAC Program
\$ 157,019	\$ --	\$ 5,567	\$ 27,377	\$ 97,076
868,840	--	--	--	--
229,750	1,461	45,892	15,190	--
295,911	--	--	--	--
--	--	77	--	--
<u>\$ 1,551,520</u>	<u>\$ 1,461</u>	<u>\$ 51,536</u>	<u>\$ 42,567</u>	<u>\$ 97,076</u>
\$ 6,300	\$ --	\$ --	\$ --	\$ --
100,026	428	3,078	16,077	--
138,938	1,023	10,788	4,170	--
9,333	--	--	34	--
--	10	37,670	22,286	--
<u>254,597</u>	<u>1,461</u>	<u>51,536</u>	<u>42,567</u>	<u>--</u>
1,296,923	--	--	--	97,076
--	--	--	--	--
<u>1,296,923</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>97,076</u>
<u>\$ 1,551,520</u>	<u>\$ 1,461</u>	<u>\$ 51,536</u>	<u>\$ 42,567</u>	<u>\$ 97,076</u>

WILLIS INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****AUGUST 31, 2019**

Data Control Codes	280 SHARs	288 Summer School LEP	289 Title IV Part A Subpart 1	385 Supplemental Visually Impaired
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ 8,335	\$ 7,033	\$ 270
1120 <i>Current Investments</i>	--	--	--	--
1240 <i>Due from Other Governments</i>	--	--	--	--
1260 <i>Due from Other Funds</i>	4,049,107	--	--	--
1410 <i>Prepaid Items</i>	--	--	--	--
1000 <i>Total Assets</i>	<u>\$ 4,049,107</u>	<u>\$ 8,335</u>	<u>\$ 7,033</u>	<u>\$ 270</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 10,458	\$ --	\$ --	\$ --
2160 <i>Accrued Wages Payable</i>	35,363	--	--	--
2170 <i>Due to Other Funds</i>	47,877	65	--	--
2200 <i>Accrued Expenditures</i>	1,681	--	--	--
2300 <i>Unearned Revenue</i>	--	--	7,033	--
2000 <i>Total Liabilities</i>	<u>95,379</u>	<u>65</u>	<u>7,033</u>	<u>--</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	3,953,728	8,270	--	--
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--	270
3000 <i>Total Fund Balances</i>	<u>3,953,728</u>	<u>8,270</u>	<u>--</u>	<u>270</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 4,049,107</u>	<u>\$ 8,335</u>	<u>\$ 7,033</u>	<u>\$ 270</u>

392 Non-Educational Community-Based Support	393 Texas Successful Schools	397 Advanced Placement Incentives	410 State Textbook	429 Read To Succeed
\$ 31	\$ 725	\$ 8,452	\$ 1,067,392	\$ 2,143
--	--	--	--	--
28	--	--	--	--
--	--	--	--	1,009
--	--	--	--	--
<u>\$ 59</u>	<u>\$ 725</u>	<u>\$ 8,452</u>	<u>\$ 1,067,392</u>	<u>\$ 3,152</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
59	--	--	--	--
--	--	--	--	--
--	--	1,350	--	--
<u>59</u>	<u>--</u>	<u>1,350</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	725	7,102	1,067,392	3,152
<u>--</u>	<u>725</u>	<u>7,102</u>	<u>1,067,392</u>	<u>3,152</u>
<u>\$ 59</u>	<u>\$ 725</u>	<u>\$ 8,452</u>	<u>\$ 1,067,392</u>	<u>\$ 3,152</u>

WILLIS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2019

EXHIBIT H-1

Page 3 of 3

Data Control Codes	461 Campus Activity	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:		
1110 Cash and Cash Equivalents	\$ 735,997	\$ 2,534,271
1120 Current Investments	--	868,840
1240 Due from Other Governments	--	476,370
1260 Due from Other Funds	--	4,346,027
1410 Prepaid Items	--	140,982
1000 Total Assets	<u>\$ 735,997</u>	<u>\$ 8,366,490</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 8,312	\$ 30,378
2160 Accrued Wages Payable	--	231,251
2170 Due to Other Funds	--	570,001
2200 Accrued Expenditures	--	11,346
2300 Unearned Revenue	--	361,191
2000 Total Liabilities	<u>8,312</u>	<u>1,204,167</u>
FUND BALANCES:		
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	5,355,997
3490 Other Restrictions of Fund Balance	<u>727,685</u>	<u>1,806,326</u>
3000 Total Fund Balances	<u>727,685</u>	<u>7,162,323</u>
4000 Total Liabilities and Fund Balances	<u>\$ 735,997</u>	<u>\$ 8,366,490</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	211 Title I Part A Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	226 IDEA-B Discretionary
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	1,235,894	1,236,643	20,448	43,336
5020 <i>Total Revenues</i>	<u>1,235,894</u>	<u>1,236,643</u>	<u>20,448</u>	<u>43,336</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	973,204	1,024,365	20,448	25,344
0013 <i>Curriculum and Staff Development</i>	222,246	--	--	--
0021 <i>Instructional Leadership</i>	--	37,421	--	--
0023 <i>School Leadership</i>	20,930	--	--	--
0031 <i>Guidance, Counseling, and Evaluation Services</i>	--	154,101	--	17,992
0033 <i>Health Services</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	--
0061 <i>Community Services</i>	19,514	20,756	--	--
6030 <i>Total Expenditures</i>	<u>1,235,894</u>	<u>1,236,643</u>	<u>20,448</u>	<u>43,336</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>	--	--	--	--
1100 <i>Expenditures</i>	--	--	--	--
1200 <i>Net Change in Fund Balances</i>	--	--	--	--
0100 <i>Fund Balances - Beginning</i>	--	--	--	--
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	272 MAC Program
\$ 1,102,514	\$ --	\$ --	\$ --	\$ --
20,893	--	--	--	--
3,304,529	82,133	207,640	91,069	40,073
4,427,936	82,133	207,640	91,069	40,073
--	78,160	5,555	76,499	--
--	3,973	194,536	14,570	--
--	--	--	--	--
--	--	7,549	--	--
--	--	--	--	--
--	--	--	--	--
3,982,276	--	--	--	--
--	--	--	--	--
120,000	--	--	--	--
--	--	--	--	--
4,102,276	82,133	207,640	91,069	--
325,660	--	--	--	40,073
325,660	--	--	--	40,073
971,263	--	--	--	57,003
\$ 1,296,923	\$ --	\$ --	\$ --	\$ 97,076

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	280 SHARs	288 Summer School LEP	289 Title IV Part A Subpart 1	385 Supplemental Visually Impaired
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	4,550
5900 <i>Federal Program Revenues</i>	1,223,204	3,755	77,430	--
5020 Total Revenues	<u>1,223,204</u>	<u>3,755</u>	<u>77,430</u>	<u>4,550</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	670,334	--	164	4,550
0013 <i>Curriculum and Staff Development</i>	31,295	--	68,054	--
0021 <i>Instructional Leadership</i>	7,188	--	--	--
0023 <i>School Leadership</i>	2,460	2,923	640	--
0031 <i>Guidance, Counseling, and Evaluation Services</i>	9,499	--	--	--
0033 <i>Health Services</i>	137,185	--	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	8,572	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	--
0061 <i>Community Services</i>	17,440	--	--	--
6030 Total Expenditures	<u>875,401</u>	<u>2,923</u>	<u>77,430</u>	<u>4,550</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	347,803	832	--	--
1200 Net Change in Fund Balances	<u>347,803</u>	<u>832</u>	<u>--</u>	<u>--</u>
0100 Fund Balances - Beginning	3,605,925	7,438	--	270
3000 Fund Balances - Ending	<u>\$ 3,953,728</u>	<u>\$ 8,270</u>	<u>\$ --</u>	<u>\$ 270</u>

392 Non-Educational Community-Based Support	393 Texas Successful Schools	397 Advanced Placement Incentives	410 State Textbook	429 Read To Succeed
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	6,800	1,253,644	7,750
--	--	--	--	--
--	--	6,800	1,253,644	7,750
--	--	--	356,033	17,314
--	--	--	295	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	356,328	17,314
--	--	--	--	--
--	--	6,800	897,316	(9,564)
--	--	6,800	897,316	(9,564)
--	725	302	170,076	12,716
\$ --	\$ 725	\$ 7,102	\$ 1,067,392	\$ 3,152

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	461 Campus Activity	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 1,099,346	\$ 2,201,860
5800 <i>State Program Revenues</i>	--	1,293,637
5900 <i>Federal Program Revenues</i>	--	7,566,154
5020 Total Revenues	<u>1,099,346</u>	<u>11,061,651</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	70,390	3,322,360
0013 <i>Curriculum and Staff Development</i>	--	534,969
0021 <i>Instructional Leadership</i>	--	44,609
0023 <i>School Leadership</i>	--	34,502
0031 <i>Guidance, Counseling, and Evaluation Services</i>	239	181,831
0033 <i>Health Services</i>	241	137,426
0035 <i>Food Service</i>	--	3,982,276
0036 <i>Cocurricular/Extracurricular Activities</i>	909,939	918,511
0051 <i>Facilities Maintenance and Operations</i>	--	120,000
0061 <i>Community Services</i>	--	57,710
6030 Total Expenditures	<u>980,809</u>	<u>9,334,194</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>118,537</u>	<u>1,727,457</u>
1200 Net Change in Fund Balances	<u>118,537</u>	<u>1,727,457</u>
0100 Fund Balances - Beginning	<u>609,148</u>	<u>5,434,866</u>
3000 Fund Balances - Ending	<u>\$ 727,685</u>	<u>\$ 7,162,323</u>

WILLIS INDEPENDENT SCHOOL DISTRICT*COMBINING STATEMENT OF NET POSITION**INTERNAL SERVICE FUNDS**AUGUST 31, 2019*

Data Control Codes	753 Insurance Fund	755 Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-1)
ASSETS:			
Current Assets:			
1110 <i>Cash and Cash Equivalents</i>	\$ 26,091	\$ 473,952	\$ 500,043
1120 <i>Investments</i>	2,851,983	--	2,851,983
<i>Receivables:</i>			
1260 <i>Due from Other Funds</i>	698,548	34,116	732,664
1290 <i>Other Receivables (net)</i>	234,962	--	234,962
Total Current Assets	<u>3,811,584</u>	<u>508,068</u>	<u>4,319,652</u>
1000 Total Assets	<u>\$ 3,811,584</u>	<u>\$ 508,068</u>	<u>\$ 4,319,652</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 164,849	\$ --	\$ 164,849
2170 <i>Due to Other Funds</i>	620,798	--	620,798
Total Current Liabilities	<u>785,647</u>	<u>--</u>	<u>785,647</u>
2000 Total Liabilities	<u>785,647</u>	<u>--</u>	<u>785,647</u>
NET POSITION:			
3800 <i>Restricted</i>	3,025,937	508,068	3,534,005
3000 Total Net Position	<u>\$ 3,025,937</u>	<u>\$ 508,068</u>	<u>\$ 3,534,005</u>

WILLIS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	753 Insurance Fund	755 Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-2)
OPERATING REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 6,703,364	\$ --	\$ 6,703,364
5020 <i>Total Revenues</i>	<u>6,703,364</u>	<u>--</u>	<u>6,703,364</u>
OPERATING EXPENSES:			
6200 <i>Professional and Contracted Services</i>	5,371,781	169,458	5,541,239
6300 <i>Supplies and Materials</i>	14,799	--	14,799
6030 <i>Total Expenses</i>	<u>5,386,580</u>	<u>169,458</u>	<u>5,556,038</u>
1300 <i>Change in Net Position</i>	1,316,784	(169,458)	1,147,326
0100 <i>Total Net Position - Beginning</i>	1,709,153	677,526	2,386,679
3300 <i>Total Net Position - Ending</i>	<u>\$ 3,025,937</u>	<u>\$ 508,068</u>	<u>\$ 3,534,005</u>

WILLIS INDEPENDENT SCHOOL DISTRICT**COMBINING STATEMENT OF CASH FLOWS****INTERNAL SERVICE FUNDS****FOR THE YEAR ENDED AUGUST 31, 2019**

	753	755	Total Internal Service Funds (See Exhibit D-3)
	Insurance Fund	Public Entity Risk Pool	
Cash Flows from Operating Activities:			
<i>Cash Received from Customers</i>	\$ 6,703,364	\$ --	\$ 6,703,364
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	(701,769)	--	(701,769)
<i>Cash Payments to Employees</i>	(5,371,781)	(169,458)	(5,541,239)
<i>Cash Payments to Suppliers for Goods and Services</i>	(14,586)	--	(14,586)
Net Cash Provided (Used) by Operating Activities	<u>615,228</u>	<u>(169,458)</u>	<u>445,770</u>
Cash Flows from Investing Activities:			
<i>Purchase of Investment Securities</i>	(622,622)	--	(622,622)
Net Cash Provided (Used) for Investing Activities	<u>(622,622)</u>	<u>--</u>	<u>(622,622)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,394)	(169,458)	(176,852)
Cash and Cash Equivalents at Beginning of Year	33,485	643,410	676,895
Cash and Cash Equivalents at End of Year	<u>\$ 26,091</u>	<u>\$ 473,952</u>	<u>\$ 500,043</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 1,316,784	\$ (169,458)	\$ 1,147,326
Change in Assets and Liabilities:			
<i>Increase (Decrease) in Accounts Payable</i>	213	--	213
<i>Increase (Decrease) in Interfund Payables</i>	(701,769)	--	(701,769)
Total Adjustments	<u>(701,556)</u>	<u>--</u>	<u>(701,556)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 615,228</u>	<u>\$ (169,458)</u>	<u>\$ 445,770</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

WILLIS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2019*

Year Ended August 31	1	2	3
	Tax Rates		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2010 and Prior Years	Various	Various	Various
2011	\$ 1.04	\$.33	\$ 2,041,255,766
2012	\$ 1.04	\$.33	\$ 2,081,955,401
2013	\$ 1.04	\$.33	\$ 2,262,200,949
2014	\$ 1.04	\$.35	\$ 2,364,654,317
2015	\$ 1.04	\$.35	\$ 2,539,472,571
2016	\$ 1.04	\$.35	\$ 2,709,205,759
2017	\$ 1.04	\$.35	\$ 3,045,105,911
2018	\$ 1.04	\$.35	\$ 3,326,908,645
2019 (School Year Under Audit)	\$ 1.04	\$.32	\$ 3,549,280,648

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/19
\$ 332,555	\$ --	\$ 37,274	\$ 12,130	\$ (18,835)	\$ 264,316
62,677	--	5,035	1,598	(766)	55,278
74,813	--	6,859	2,177	(689)	65,088
86,172	--	7,356	2,334	(488)	75,994
99,448	--	19,393	6,526	12,482	86,011
122,314	--	30,655	10,317	28,107	109,449
169,362	--	52,296	17,599	27,515	126,982
278,291	--	66,144	22,260	(17,943)	171,944
809,090	--	283,583	95,437	(78,986)	351,084
--	49,335,001	37,378,705	11,178,678	--	777,618
<u>\$ 2,034,722</u>	<u>\$ 49,335,001</u>	<u>\$ 37,887,300</u>	<u>\$ 11,349,056</u>	<u>\$ (49,603)</u>	<u>\$ 2,083,764</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WILLIS INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT J-2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 1,118,638	\$ 1,118,638	\$ 1,102,514	\$ (16,124)
5800	State Program Revenues	--	--	20,893	20,893
5900	Federal Program Revenues	3,671,197	3,671,197	3,304,529	(366,668)
5020	Total Revenues	4,789,835	4,789,835	4,427,936	(361,899)
	EXPENDITURES:				
	Current:				
	Support Services - Student (Pupil):				
0035	Food Services	4,669,835	4,669,835	3,982,276	687,559
	Total Support Services - Student (Pupil)	4,669,835	4,669,835	3,982,276	687,559
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	120,000	120,000	120,000	--
	Total Support Services - Nonstudent Based	120,000	120,000	120,000	--
6030	Total Expenditures	4,789,835	4,789,835	4,102,276	687,559
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	325,660	325,660
1200	Net Change in Fund Balance	--	--	325,660	325,660
0100	Fund Balance - Beginning	971,263	971,263	971,263	--
3000	Fund Balance - Ending	\$ 971,263	\$ 971,263	\$ 1,296,923	\$ 325,660

WILLIS INDEPENDENT SCHOOL DISTRICT
EXHIBIT J-3
DEBT SERVICE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 11,547,871	\$ 11,547,871	\$ 11,580,647	\$ 32,776
5800	State Program Revenues	200,992	200,992	207,848	6,856
5020	Total Revenues	<u>11,748,863</u>	<u>11,748,863</u>	<u>11,788,495</u>	<u>39,632</u>
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Debt	3,978,720	3,978,720	3,978,720	--
0072	Interest on Long-Term Debt	7,735,143	7,735,143	7,735,143	--
0073	Bond Issuance Costs and Fees	35,000	35,000	7,550	27,450
	Total Debt Service	<u>11,748,863</u>	<u>11,748,863</u>	<u>11,721,413</u>	<u>27,450</u>
6030	Total Expenditures	<u>11,748,863</u>	<u>11,748,863</u>	<u>11,721,413</u>	<u>27,450</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	67,082	67,082
1200	Net Change in Fund Balance	--	--	67,082	67,082
0100	Fund Balance - Beginning	<u>3,617,530</u>	<u>3,617,530</u>	<u>3,617,530</u>	--
3000	Fund Balance - Ending	\$ <u>3,617,530</u>	\$ <u>3,617,530</u>	\$ <u>3,684,612</u>	\$ <u>67,082</u>

***FEDERAL AWARDS AND
OTHER COMPLIANCE SECTION***



**INDEPENDENT AUDITORS' 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**

January 27, 2020

To the Board of Trustees of
Willis Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Willis Independent School District (the "District"), as of and for the year ended August 31, 2019, 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 27, 2020.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo features the names 'Belt', 'Harris', and 'Pechacek' in a large, elegant, cursive script. The word 'HARRIS' is in a smaller, bold, sans-serif font, positioned between 'Belt' and 'Pechacek'. To the right of 'Pechacek' is the text 'LLP' in a small, bold, sans-serif font.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

January 27, 2020

To the Board of Trustees of
Willis Independent School District:

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 year ended August 31, 2019. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' 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* 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 year ended August 31, 2019.

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 have not been 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.

The logo for Belt Harris Pechacek, LLP features the names 'BELT', 'HARRIS', and 'PECHACEK' in a stylized, serif font, with 'LLP' in a smaller, sans-serif font to the right. The letters are dark blue or black.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: August 2019

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 and 84.173	IDEA-B Cluster
84.367	Title II
84.424	Title III

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

WILLIS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None to report.		

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
<i>School Breakfast Program</i>	10.553	806780706	\$ 911,343
<i>National School Lunch Program</i>	10.555	806780706	2,169,223
Total Passed Through State Department of Education			3,080,566
Total U. S. Department of Agriculture			3,080,566
Total Child Nutrition Cluster			3,080,566
FOOD DISTRIBUTION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
<i>Commodity Supplemental Food Program (Non-cash)</i>	10.565	806780706	223,963
Total Passed Through State Department of Education			223,963
Total U. S. Department of Agriculture			223,963
Total Food Distribution Cluster			223,963
MEDICAID CLUSTER:			
<u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Education:			
<i>Medicaid Administrative Claiming Program - MAC</i>	93.778	170-904	40,073
Total Passed Through State Department of Education			40,073
Total U. S. Department of Health and Human Services			40,073
Total Medicaid Cluster			40,073
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>IDEA-B Formula</i>	84.027	196600011709046600	1,236,643
<i>IDEA-B Discretionary</i>	84.027	66001806	43,336
Total CFDA Number 84.027			1,279,979
<i>IDEA-B Preschool</i>	84.173	196610011709046610	20,448
Total Passed Through State Department of Education			1,300,427
Total U. S. Department of Education			1,300,427
Total Special Education (IDEA) Cluster			1,300,427
OTHER PROGRAMS:			
<u>U. S. Department of Defense</u>			
Passed Through State Department of Education:			
<i>Junior Reserve Officer Training Corp.</i>	12.000	170-904	64,672
Total Passed Through State Department of Education			64,672
Total U. S. Department of Defense			64,672

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010	19610101170904	\$ 1,235,894
<i>Career and Technical - Basic Grant</i>	84.048	19420006170904	82,133
<i>Title III Part A - English Language Acquisition and Language Enhancement</i>	84.365	19671001170904	91,069
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	19694501170904	207,640
<i>Summer School LEP</i>	84.369	69551802	3,755
<i>Title IV Part A Subpart 1</i>	84.424	19680101170904	77,430
Total Passed Through State Department of Education			<u>1,697,921</u>
Total U. S. Department of Education			<u>1,697,921</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,407,622</u>

The accompanying notes are an integral part of this schedule.

Federal revenue per SEFA	\$ 6,407,622
SHARs	1,223,204
Forest Minerals	6,071
Federal revenue per Exhibit C-2	<u>\$ 7,636,897</u>

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District. The information in the SEFA is presented in accordance with the 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") Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

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

WILLIS INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2019*

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the District make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the District <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year end?	\$ --
SF11	Net Pension Asset (object 1920) at fiscal year end.	\$ --
SF12	Net Pension Liability (object 2540) at fiscal year end.	\$ 21,614,753

