

WILLIS INDEPENDENT  
SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2018*

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Willis Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2018

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## *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, 2018, at a meeting of the board of trustees of such school district on the 11<sup>th</sup> day of February 2019

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

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

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*Financial Section*

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

### **Management's Responsibility for the Financial Statements**

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

### **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, 2018, 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.

## Emphasis of Matter

### *Change in Accounting Principle*

In 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

### *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 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, other supplementary information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 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 February 10, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

The logo features the firm's name in a highly stylized, cursive script. The letters are interconnected, with the 'B' and 'H' being particularly large and ornate. The text 'BELT HARRIS PECHACEK, LLP' is written in a dark, possibly black, ink.

Belt Harris Pechacek, LLP  
*Certified Public Accountants*  
Houston, Texas  
February 10, 2019

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*Management's Discussion & Analysis (MD&A)*

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## **WILLIS INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **FOR THE YEAR ENDED AUGUST 31, 2018**

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, 2018. It should be read in conjunction with the District's financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The District's total combined net position at August 31, 2018 was \$31,328,972.
- For the fiscal year ended August 31, 2018, the District's general fund reported a total fund balance of \$29,314,329, of which \$17,200,000 is committed, \$14,903 is nonspendable, and \$12,099,426 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 \$99,138,365.

#### **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, 2018**

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, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net position was \$31,328,972 at August 31, 2018. *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, 2018. Within *Table 2*, the prior year revenues and expenses have been updated to remove fund level on-behalf revenues and expenses (excluding Medicare Part D) for Teacher Retirement System of Texas contributions for comparative purposes, as a result of current year recognition changes. This change had no impact on the change in net position. Within *Table 1*, long-term liabilities decreased as a result of decreases in the District's net pension and other postemployment benefit (OPEB) liabilities combined with principal payments paid during the fiscal year on debt with no new debt incurred. Deferred inflows increased as a direct result of the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* this fiscal year. *Table 2* reflects the District reporting an overall increase in net position of \$15,982,885.

**Table 1**  
**Net Position**

Description	Governmental Activities		Total Change
	2018	2017	2018-2017
Current assets	\$ 109,117,811	\$ 135,809,953	\$ (26,692,142)
Capital assets	134,757,753	103,319,853	31,437,900
Restricted net assets	-	95,632	(95,632)
<b>Total Assets</b>	<b>243,875,564</b>	<b>239,225,438</b>	<b>4,650,126</b>
Deferred outflows related to pensions	4,947,997	5,632,540	(684,543)
Deferred outflows related to OPEB	352,458	261,635	90,823
<b>Total Deferred Outflows of Resources</b>	<b>5,300,455</b>	<b>5,894,175</b>	<b>(593,720)</b>
Current liabilities	6,541,335	6,066,558	474,777
Long-term liabilities	196,160,980	218,425,850	(22,264,870)
<b>Total Liabilities</b>	<b>202,702,315</b>	<b>224,492,408</b>	<b>(21,790,093)</b>
Deferred charge on refunding	4,083,028	4,492,388	(409,360)
Deferred inflows related to pensions	1,907,579	788,730	1,118,849
Deferred inflows related to OPEB	9,154,125		9,154,125
<b>Total Deferred Inflows of Resources</b>	<b>15,144,732</b>	<b>5,281,118</b>	<b>9,863,614</b>
<b>Net Position:</b>			
Net investment in capital assets	29,641,164	31,058,368	(1,417,204)
Restricted	11,439,075	8,264,577	3,174,498
Unrestricted	(9,751,267)	(23,976,858)	14,225,591
<b>Total Net Position</b>	<b>\$ 31,328,972</b>	<b>\$ 15,346,087</b>	<b>\$ 15,982,885</b>

**WILLIS INDEPENDENT SCHOOL DISTRICT****MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018**

<u>Description</u>	<u>Business-Type Activities</u>		<u>Total Change</u>
	<u>2018</u>	<u>2017</u>	<u>2018-2017</u>
Current assets	\$ 533,248	\$ 464,005	\$ 69,243
<b>Total Assets</b>	<u>533,248</u>	<u>464,005</u>	<u>69,243</u>
Current liabilities	556	396	160
<b>Total Liabilities</b>	<u>556</u>	<u>396</u>	<u>160</u>
<b>Net Position:</b>			
Unrestricted	532,692	463,609	69,083
<b>Total Net Position</b>	<u>\$ 532,692</u>	<u>\$ 463,609</u>	<u>\$ 69,083</u>

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**Table 2**  
**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Total Change</b>
	<b>2018</b>	<b>2017</b>	<b>2018-2017</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 2,252,940	\$ 2,107,992	\$ 144,948
Operating grants and contributions	(552,587)	9,429,295	(9,981,882)
General revenues:			
Property taxes	46,597,500	42,652,257	3,945,243
State foundation program	24,515,227	24,471,153	44,074
Investment earnings	2,134,851	1,108,243	1,026,608
Miscellaneous	318,662	343,844	(25,182)
<b>Total Revenue</b>	<b>75,266,593</b>	<b>80,112,784</b>	<b>(4,846,191)</b>
<b>Expenses</b>			
Instruction	27,960,466	33,195,024	(5,234,558)
Instructional resources and media services	63,028	614,134	(551,106)
Curriculum and staff development	829,148	1,554,307	(725,159)
Instructional leadership	137,281	202,350	(65,069)
School leadership	3,193,275	4,078,464	(885,189)
Guidance, counseling, and evaluation services	1,447,455	2,025,274	(577,819)
Social work services	155,831	171,209	(15,378)
Health services	574,020	706,275	(132,255)
Student (pupil) transportation	3,183,992	3,607,767	(423,775)
Food services	2,012,599	4,536,156	(2,523,557)
Cocurricular/extracurricular activities	3,041,497	3,134,674	(93,177)
General administration	1,387,347	1,761,403	(374,056)
Plant maintenance and operations	6,687,268	6,467,768	219,500
Security and monitoring	671,909	547,737	124,172
Data processing services	471,554	422,461	49,093
Community services	16,497	55,502	(39,005)
Interest on long-term debt	7,014,311	6,348,425	665,886
Payments related to shared services arrangements	6,776	9,042	(2,266)
Payments to juvenile justice alternative ed. Programs	8,670	-	8,670
Other intergovernmental charges	420,784	387,607	33,177
<b>Total Expenses</b>	<b>59,283,708</b>	<b>69,825,579</b>	<b>(10,541,871)</b>
<b>Change in Net Position</b>	<b>15,982,885</b>	<b>10,287,205</b>	<b>5,695,680</b>
Beginning net position	15,346,087	5,058,882	10,287,205
<b>Ending Net Position</b>	<b>\$ 31,328,972</b>	<b>\$ 15,346,087</b>	<b>\$ 15,982,885</b>

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

	Business-Type Activities		Total Change
	2018	2017	2018-2017
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 122,485	\$ 95,298	\$ 27,187
<b>Total Revenue</b>	<b>122,485</b>	<b>95,298</b>	<b>27,187</b>
<b>Expenses</b>			
Community services	53,402	45,349	8,053
<b>Total Expenses</b>	<b>53,402</b>	<b>45,349</b>	<b>8,053</b>
<b>Change in Net Position</b>	<b>69,083</b>	<b>49,949</b>	<b>19,134</b>
Beginning net position	463,609	413,660	49,949
<b>Ending Net Position</b>	<b>\$ 532,692</b>	<b>\$ 463,609</b>	<b>\$ 69,083</b>

Revenues from governmental activities totaled \$75,266,593, which is a decrease of \$4,846,191 from the 2017 fiscal year. Property tax revenue is the District's largest revenue source, which totaled \$46,597,500 for the year. This represents an increase of \$3,945,243 compared to the previous year. The District's operating grants and contributions decreased significantly due to the decrease in on-behalf revenues related to the decrease in pension and OPEB liabilities. In total, revenues for the year decreased 6.44% from the prior year.

Expenses for governmental activities totaled \$59,283,708, which is a decrease of \$10,541,871 from the 2017 fiscal year. This is primarily due to a decrease in expenses for instruction, food services, school leadership, and curriculum and staff development, which is the result of the decrease in OPEB liability, pension liability, and the related decrease in on-behalf expenses. In total, expenses for the year decreased 17.78% from the prior year.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At the close of the fiscal year ending August 31, 2018, the District's combined governmental funds reported a fund balance of \$99,138,365. This compares to a combined fund balance of \$127,185,839 at August 31, 2017. The fund balance in the general fund increased due to an increase in property tax revenues and a decrease in capital outlay expenditures. The fund balance in the debt service fund increased due to an increase in property tax revenues and a decrease in principal debt payments. The fund balance in the capital projects fund decreased due to an increase in capital outlay expenditures.

#### **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, 2018, 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 \$1,242,898 and additional revenues of \$83,465 from the original budget. The majority of the additional appropriations were related to instruction and student transportation. The general fund's actual revenues exceeded budgeted revenues by \$3,713,129 and the budgeted expenditures exceeded actual expenditures by \$1,689,681. 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, 2018*

**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, 2018, 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, 2018, the District had a total of \$134,757,753 invested in capital assets (net of accumulated depreciation) such as land, buildings, and District equipment. This total includes \$35,546,649 invested during the fiscal year ended August 31, 2018.

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 \$149,791,702 in long-term debt outstanding versus \$153,472,767 last year. The net decrease totaled \$3,681,065 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 2018-2019:

- Property values for ad valorem tax purposes increased for 2018-2019 compared to 2017-2018.
- No new programs were added and no significant changes to existing programs occurred during the current year and no significant changes are planned for 2018-2019.
- The District budgeted revenues of \$61,322,874 and expenditures of \$61,322,874 for an even budget for 2018-2019. This is an increase of 1.16% from the prior year budget.
- The District's Maintenance & Operation 2018-2019 tax rate is \$1.07 per \$100 of property valuation and the Interest & Sinking 2018-2019 tax rate is \$0.32 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.

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## *Basic Financial Statements*



**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2018**

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ 7,132,406	\$ 533,798	\$ 7,666,204
1120 <i>Current Investments</i>	99,014,012	--	99,014,012
1220 <i>Property Taxes Receivable</i>	2,034,722	--	2,034,722
1230	(565,583)	--	(565,583)
1240 <i>Due from Other Governments</i>	945,524	--	945,524
1260 <i>Internal Balances</i>	550	(550)	--
1290 <i>Other Receivables (Net)</i>	434,249	--	434,249
1300 <i>Inventories</i>	14,903	--	14,903
1410 <i>Unrealized Expenses</i>	107,028	--	107,028
Capital Assets:			
1510 <i>Land</i>	3,678,425	--	3,678,425
1520 <i>Buildings and Improvements, Net</i>	83,532,574	--	83,532,574
1530 <i>Furniture and Equipment, Net</i>	1,714,615	--	1,714,615
1540 <i>Vehicles, Net</i>	3,235,827	--	3,235,827
1580 <i>Construction in Progress</i>	42,596,312	--	42,596,312
1000 <b>Total Assets</b>	<u>243,875,564</u>	<u>533,248</u>	<u>244,408,812</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
1705 <i>Deferred Outflows Related to Pensions</i>	4,947,997	--	4,947,997
1705 <i>Deferred Outflows Related to OPEB</i>	352,458	--	352,458
1700 <b>Total Deferred Outflows of Resources</b>	<u>5,300,455</u>	<u>--</u>	<u>5,300,455</u>
<b>LIABILITIES:</b>			
2110 <i>Accounts Payable</i>	1,969,908	--	1,969,908
2140 <i>Interest Payable</i>	417,704	--	417,704
2165 <i>Accrued Liabilities</i>	3,826,899	556	3,827,455
2300 <i>Unearned Revenue</i>	326,824	--	326,824
Noncurrent Liabilities:			
2501 <i>Due Within One Year</i>	3,978,720	--	3,978,720
2502 <i>Due in More Than One Year</i>	157,826,480	--	157,826,480
2540 <i>Net Pension Liability</i>	12,471,763	--	12,471,763
2545 <i>Net OPEB Liability</i>	21,884,017	--	21,884,017
2000 <b>Total Liabilities</b>	<u>202,702,315</u>	<u>556</u>	<u>202,702,871</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
2601 <i>Deferred Charge on Refunding</i>	4,083,028	--	4,083,028
2605 <i>Deferred Inflow Related to Pensions</i>	1,907,579	--	1,907,579
2606 <i>Deferred Inflow Related to OPEB</i>	9,154,125	--	9,154,125
2600 <b>Total Deferred Inflows of Resources</b>	<u>15,144,732</u>	<u>--</u>	<u>15,144,732</u>
<b>NET POSITION:</b>			
3200 <b>Net Investment in Capital Assets</b>	29,641,164	--	29,641,164
Restricted For:			
3820 <i>State and Federal Programs</i>	4,595,305	--	4,595,305
3850 <i>Debt Service</i>	3,617,530	--	3,617,530
3890 <i>Insurance Claims</i>	1,709,153	--	1,709,153
3890 <i>Public Entity Risk Pool</i>	677,526	--	677,526
3890 <i>Other Restrictions on Fund Balance</i>	839,561	--	839,561
3890 <i>Childcare Services</i>	--	532,692	532,692
3900 <i>Unrestricted</i>	(9,751,267)	--	(9,751,267)
3000 <b>Total Net Position</b>	<u>\$ 31,328,972</u>	<u>\$ 532,692</u>	<u>\$ 31,861,664</u>

The accompanying notes are an integral part of this statement.

# WILLIS INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

		1	3	4
Data Control Codes	Functions/Programs	Expenses	Program Revenues	
			Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 27,960,466	\$ 8,250	\$ (1,157,937)
12	Instructional Resources and Media Services	63,028	--	(140,988)
13	Curriculum and Staff Development	829,148	--	105,875
21	Instructional Leadership	137,281	--	12,449
23	School Leadership	3,193,275	--	(406,623)
31	Guidance, Counseling, and Evaluation Services	1,447,455	--	(148,924)
32	Social Work Services	155,831	--	1,978
33	Health Services	574,020	--	109,788
34	Student Transportation	3,183,992	--	(158,989)
35	Food Service	2,012,599	1,113,199	1,665,073
36	Cocurricular/Extracurricular Activities	3,041,497	1,102,229	(69,196)
41	General Administration	1,387,347	--	(202,427)
51	Facilities Maintenance and Operations	6,687,268	17,348	(189,523)
52	Security and Monitoring Services	671,909	--	1,252
53	Data Processing Services	471,554	--	(17,276)
61	Community Services	16,497	--	36,109
72	Interest on Long-term Debt	7,014,311	11,914	--
93	Payments Related to Shared Services Arrangements	6,776	--	6,772
95	Payments to Juvenile Justice Alternative Ed. Programs	8,670	--	--
99	Other Intergovernmental Charges	420,784	--	--
TG	Total Governmental Activities	<u>59,283,708</u>	<u>2,252,940</u>	<u>(552,587)</u>
	Business-type Activities:			
01	Early Bird Child Care	53,402	122,485	--
TB	Total Business-type Activities	<u>53,402</u>	<u>122,485</u>	<u>--</u>
TP	Total Primary Government	<u>\$ 59,337,110</u>	<u>\$ 2,375,425</u>	<u>\$ (552,587)</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			
PA	Prior Period Adjustment			
	Net Position - Beginning, as Restated			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (29,110,153)	\$ --	\$ (29,110,153)
(204,016)	--	(204,016)
(723,273)	--	(723,273)
(124,832)	--	(124,832)
(3,599,898)	--	(3,599,898)
(1,596,379)	--	(1,596,379)
(153,853)	--	(153,853)
(464,232)	--	(464,232)
(3,342,981)	--	(3,342,981)
765,673	--	765,673
(2,008,464)	--	(2,008,464)
(1,589,774)	--	(1,589,774)
(6,859,443)	--	(6,859,443)
(670,657)	--	(670,657)
(488,830)	--	(488,830)
19,612	--	19,612
(7,002,397)	--	(7,002,397)
(4)	--	(4)
(8,670)	--	(8,670)
(420,784)	--	(420,784)
<u>(57,583,355)</u>	<u>--</u>	<u>(57,583,355)</u>
--	69,083	69,083
--	69,083	69,083
<u>(57,583,355)</u>	<u>69,083</u>	<u>(57,514,272)</u>
34,869,004	--	34,869,004
11,728,496	--	11,728,496
2,134,851	--	2,134,851
24,515,227	--	24,515,227
318,662	--	318,662
<u>73,566,240</u>	<u>--</u>	<u>73,566,240</u>
15,982,885	69,083	16,051,968
53,719,578	463,609	54,183,187
(38,373,491)	--	(38,373,491)
15,346,087	463,609	15,809,696
<u>\$ 31,328,972</u>	<u>\$ 532,692</u>	<u>\$ 31,861,664</u>

# WILLIS INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service
<b>ASSETS:</b>		
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ 2,036,312
1120 <i>Current Investments</i>	33,793,974	1,402,900
1220 <i>Property Taxes Receivable</i>	1,527,400	507,322
1230 <i>Allowance for Uncollectible Taxes</i>	(427,182)	(138,401)
1240 <i>Due from Other Governments</i>	67,117	--
1260 <i>Due from Other Funds</i>	799,917	123,583
1290 <i>Other Receivables</i>	144,552	54,735
1300 <i>Inventories</i>	14,903	--
1410 <i>Unrealized Expenditures</i>	--	--
1000 <i>Total Assets</i>	<u>35,920,681</u>	<u>3,986,451</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 1,475,471	\$ --
2150 <i>Payroll Deductions and Withholdings</i>	566,145	--
2160 <i>Accrued Wages Payable</i>	2,945,539	--
2170 <i>Due to Other Funds</i>	418,009	--
2200 <i>Accrued Expenditures</i>	103,710	--
2300 <i>Unearned Revenue</i>	(2,740)	--
2000 <i>Total Liabilities</i>	<u>5,506,134</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
2600 <i>Unavailable Revenue - Property Taxes</i>	1,100,218	368,921
2600 <i>Total Deferred Inflows of Resources</i>	<u>1,100,218</u>	<u>368,921</u>
<b>FUND BALANCES:</b>		
Nonspendable Fund Balances:		
3410 <i>Inventories</i>	14,903	--
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3470 <i>Capital Acquisitions and Contractual Obligations</i>	--	--
3480 <i>Retirement of Long-Term Debt</i>	--	3,617,530
3490 <i>Other Restrictions of Fund Balance</i>	--	--
Committed Fund Balances:		
3510 <i>Construction</i>	15,100,000	--
3530 <i>Capital Expenditures for Equipment</i>	2,100,000	--
3600 <i>Unassigned</i>	12,099,426	--
3000 <i>Total Fund Balances</i>	<u>29,314,329</u>	<u>3,617,530</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 35,920,681</u>	<u>\$ 3,986,451</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60	Other Governmental Funds	98 Total Governmental Funds
Capital Projects		
\$ --	\$ 4,419,199	\$ 6,455,511
60,881,832	705,945	96,784,651
--	--	2,034,722
--	--	(565,583)
--	878,407	945,524
--	574,330	1,497,830
--	--	199,287
--	--	14,903
--	107,028	107,028
<u>60,881,832</u>	<u>6,684,909</u>	<u>107,473,873</u>
\$ 109,193	\$ 220,608	\$ 1,805,272
--	--	566,145
--	200,159	3,145,698
1,000	488,366	907,375
--	11,346	115,056
--	329,564	326,824
<u>110,193</u>	<u>1,250,043</u>	<u>6,866,370</u>
--	--	1,469,139
<u>--</u>	<u>--</u>	<u>1,469,139</u>
--	--	14,903
--	4,595,305	4,595,305
60,771,639	--	60,771,639
--	--	3,617,530
--	839,561	839,561
--	--	15,100,000
--	--	2,100,000
--	--	12,099,426
<u>60,771,639</u>	<u>5,434,866</u>	<u>99,138,364</u>
\$ <u>60,881,832</u>	\$ <u>6,684,909</u>	\$ <u>107,473,873</u>





**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2018**

Total fund balances - governmental funds balance sheet \$ 99,138,364

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.	134,757,753
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,469,139
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	2,386,679
Payables for bond principal which are not due in the current period are not reported in the funds.	(149,791,702)
Payables for bond interest which are not due in the current period are not reported in the funds.	(417,704)
Recognition of the deferred charge on refunding is not reported in the funds.	(4,083,028)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(12,471,763)
Deferred inflows of resources related to the pension plan are not reported in the funds.	(1,907,579)
Deferred outflows of resources related to the pension plan are not reported in the funds.	4,947,997
Bond premiums are amortized in the SNP, but not in the funds.	(12,013,498)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(21,884,017)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(9,154,125)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	352,458
Rounding difference	(2)

Net position of governmental activities - Statement of Net Position \$ 31,328,972

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, 2018**

Data Control Codes		10	50
		General Fund	Debt Service
REVENUES:			
5700	Local and Intermediate Sources	\$ 36,002,747	\$ 11,788,228
5800	State Program Revenues	27,080,485	209,381
5900	Federal Program Revenues	89,449	--
5020	Total Revenues	63,172,681	11,997,609
EXPENDITURES:			
Current:			
0011	Instruction	34,587,681	--
0012	Instructional Resources and Media Services	197,291	--
0013	Curriculum and Staff Development	975,954	--
0021	Instructional Leadership	168,388	--
0023	School Leadership	3,916,942	--
0031	Guidance, Counseling, and Evaluation Services	1,973,388	--
0032	Social Work Services	167,841	--
0033	Health Services	622,615	--
0034	Student Transportation	3,664,943	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	1,538,433	--
0041	General Administration	1,862,466	--
0051	Facilities Maintenance and Operations	7,321,120	--
0052	Security and Monitoring Services	658,328	--
0053	Data Processing Services	459,460	--
0061	Community Services	--	--
0071	Principal on Long-term Debt	--	3,681,065
0072	Interest on Long-term Debt	--	8,055,129
0073	Bond Issuance Costs and Fees	--	15,973
0081	Capital Outlay	385,000	--
0093	Payments to Shared Services Arrangements	--	--
0095	Payments to Juvenile Justice Alternative		
0095	Education Programs	8,670	--
0099	Other Intergovernmental Charges	420,784	--
6030	Total Expenditures	58,929,304	11,752,167
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	4,243,377	245,442
Other Financing Sources and (Uses):			
7915	Transfers In	230	--
8911	Transfers Out	--	--
7080	Total Other Financing Sources and (Uses)	230	--
1200	Net Change in Fund Balances	4,243,607	245,442
0100	Fund Balances - Beginning	25,070,722	3,372,088
3000	Fund Balances - Ending	\$ 29,314,329	\$ 3,617,530

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60		98
Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,317,008	\$ 2,113,860	\$ 51,221,843
--	706,913	27,996,779
--	7,155,250	7,244,699
<u>1,317,008</u>	<u>9,976,023</u>	<u>86,463,321</u>
--	3,458,947	38,046,628
--	2,661	199,952
--	381,758	1,357,712
--	45,779	214,167
--	45,236	3,962,178
--	143,242	2,116,630
--	12,562	180,403
--	123,750	746,365
--	42,401	3,707,344
--	4,121,587	4,121,587
--	860,632	2,399,065
--	--	1,862,466
19,970	134,127	7,475,217
--	--	658,328
--	--	459,460
--	53,958	53,958
--	--	3,681,065
--	--	8,055,129
--	--	15,973
34,375,939	--	34,760,939
--	6,776	6,776
--	--	8,670
--	--	420,784
<u>34,395,909</u>	<u>9,433,416</u>	<u>114,510,796</u>
<u>(33,078,901)</u>	<u>542,607</u>	<u>(28,047,475)</u>
--	--	230
--	(230)	(230)
--	(230)	--
<u>(33,078,901)</u>	<u>542,377</u>	<u>(28,047,475)</u>
93,850,540	4,892,489	127,185,839
<u>\$ 60,771,639</u>	<u>\$ 5,434,866</u>	<u>\$ 99,138,364</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, 2018*

Net change in fund balances - total governmental funds	\$ (28,047,475)
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	35,546,649
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,108,750)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	82,110
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	3,681,065
(Increase) decrease in amortization of deferred loss from beginning of period to end of period.	21,671
The net revenue (expense) of internal service funds is reported with governmental activities.	681,144
(Increase) decrease in accrued interest from beginning of period to end of period.	409,360
Bond premiums are reported in the funds, but not in the SOA.	625,760
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred outflows of resources.	1,440,626
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(2,037,083)
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred outflows of resources.	(12,719,464)
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	<u>20,407,271</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 15,982,885</u>

The accompanying notes are an integral part of this statement.



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

AUGUST 31, 2018

Data Control Codes		Nonmajor Enterprise Fund		Internal Service Funds
		Early Bird Child Care		
<b>ASSETS:</b>				
Current Assets:				
1110	Cash and Cash Equivalents	\$ 533,798		\$ 676,895
1120	Investments	--		2,229,361
Receivables:				
1260	Due from Other Funds	--		34,116
1290	Other Receivables (net)	--		234,962
	Total Current Assets	533,798		3,175,334
1000	Total Assets	533,798		3,175,334
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ --		\$ 164,636
2160	Accrued Wages Payable	556		--
2170	Due to Other Funds	550		624,019
	Total Current Liabilities	1,106		788,655
2000	Total Liabilities	1,106		788,655
<b>NET POSITION:</b>				
3800	Restricted	532,692		2,386,679
3000	Total Net Position	\$ 532,692		\$ 2,386,679

The accompanying notes are an integral part of this statement.

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes		Nonmajor Enterprise Fund		Internal Service Funds
		Early Bird Child Care		
	<b>OPERATING REVENUES:</b>			
5700	<i>Local and Intermediate Sources</i>	\$ 122,485		\$ 6,426,023
5020	Total Revenues	122,485		6,426,023
	<b>OPERATING EXPENSES:</b>			
6100	<i>Payroll Costs</i>	46,144		--
6200	<i>Professional and Contracted Services</i>	--		5,730,693
6300	<i>Supplies and Materials</i>	2,950		14,185
6400	<i>Other Operating Costs</i>	4,308		--
6030	Total Expenses	53,402		5,744,878
1300	Change in Net Position	69,083		681,145
0100	Total Net Position - Beginning	463,609		1,705,534
3300	Total Net Position - Ending	\$ 532,692		\$ 2,386,679

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, 2018**

	Nonmajor Enterprise Fund	Internal Service Funds
	Early Bird Child Care	
<b>Cash Flows from Operating Activities:</b>		
<i>Cash Received from Customers</i>	\$ 122,485	\$ 6,426,023
<i>Cash Receipts (Payments) for Quasi-external         Operating Transactions with Other Funds</i>	550	3,221
<i>Cash Payments to Employees for Services</i>	(45,982)	(5,730,693)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(7,260)	(14,398)
Net Cash Provided (Used) by Operating Activities	<u>69,793</u>	<u>684,153</u>
<b>Cash Flows from Investing Activities:</b>		
<i>Purchase of Investment Securities</i>	--	(834,844)
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>(834,844)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	69,793	(150,691)
Cash and Cash Equivalents at Beginning of Year	464,005	827,586
Cash and Cash Equivalents at End of Year	<u>\$ 533,798</u>	<u>\$ 676,895</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash     Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 69,083	\$ 681,145
Change in Assets and Liabilities:		
<i>Increase (Decrease) in Accounts Payable</i>	--	(213)
<i>Increase (Decrease) in Accrued Wages Payable</i>	162	--
<i>Increase (Decrease) in Interfund Payables</i>	550	3,221
<i>Increase (Decrease) in Accrued Expenses</i>	(2)	--
Total Adjustments	<u>710</u>	<u>3,008</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 69,793</u>	<u>\$ 684,153</u>

The accompanying notes are an integral part of this statement.



**WILLIS INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2018**

		Agency Fund
Data Control Codes		Student Activity
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 104,742
1120	Current Investments	6,493
1000	Total Assets	<u>111,235</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110	Accounts Payable	\$ 400
2190	Due to Student Groups	110,835
2000	Total Liabilities	<u>111,235</u>
<b>NET POSITION:</b>		
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**A. Summary of Significant Accounting Policies**

The basic financial statements of Willis Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The Board of School Trustees (the "Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

**2. Basis of Presentation and Basis of Accounting**

**a. Basis of Presentation**

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Debt Service Fund: This fund is used to account for tax revenues and for the payment of principal, interest, and other related costs on long-term debt for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all the related debt obligations have been met.

Capital Projects Funds: These funds are used to account for revenues and expenses related to projects financed by the proceeds of bond issues or for capital projects otherwise mandated to be accounted for in these funds. These funds are not legally required to be budgeted on an annual basis.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for revenues and expenses related to grant awards and entitlements from federal, state, and local agencies. These funds are primarily on a reimbursement basis. Nearly all of these funds cannot carry a fund balance and, other than the food service fund, none of these funds are legally required to have an adopted budget.

Enterprise Funds: These funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of net income, financial position, and cash flows. The District accounts for day care operations in the enterprise fund.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.



**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

**3. Financial Statement Amounts**

**a. Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

**b. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**c. Inventories and Prepaid Items**

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**d. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at acquisition value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Building and Improvements	20 - 40 years
Vehicles	10 - 20 years
Furniture and Equipment	8 - 20 years

e. Deferred Outflows and 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, *deferred outflows of resources*, represents a consumption of net position that applies to one or more future periods and so will *not* be recognized as an outflow of resources (expenses/expenditures) until then. The District has six items that qualify for reporting in this category on the government-wide statement of net position. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for employer pension and OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net position and OPEB liability during the measurement period in which the contributions were made. Deferred outflows of resources are recognized for the difference between the projected and actual investment earnings on the OPEB plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension and OPEB plans. Those amounts are deferred and amortized over the average of the expected service lives of pension and OPEB plan members.

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 one or more future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has six items that qualify for reporting in this category in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded and refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension and OPEB plans. These amounts are amortized over the average of the expected service lives of pension and OPEB plan members. A deferred charge has been recognized for employer pension and OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. Those amounts are deferred and amortized over the average of the expected service lives of pension plan members. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. 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.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

f. Receivable and Payable 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.

g. 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 consolidation. 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.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board or by an official or body to which the Board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

k. 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 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.

l. 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.

m. 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 segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

n. Negative Operating Grants and Contributions - Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and other postemployment benefit (OPEB) plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. Teacher Retirement System (TRS) and Texas Public School Retired Employees Group Insurance Program ("TRS-Care") benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the statement of activities in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

During the year under audit, the NECE expense was negative due to changes in benefits within TRS-Care. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the statement of activities.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Following are the effects on the statement of activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions (Excluding On- Behalf Accruals)	Negative On-Behalf Accruals	Operating Grants and Contributions As Reported
11 - Instruction	\$ 3,973,119	\$ (5,131,933)	\$ (1,158,814)
12 - Instructional Resources and Media Services	36,466	(177,463)	(140,997)
13 - Curriculum and Instructional Staff Development	303,438	(197,589)	105,849
21 - Instructional Leadership	50,150	(37,701)	12,449
23 - School Leadership	97,287	(504,035)	(406,748)
31 - Guidance, Counseling, and Evaluation Services	167,406	(316,366)	(148,960)
32 - Social Work Services	13,135	(11,157)	1,978
33 - Health Services	193,386	(83,616)	109,770
34 - Student (Pupil) Transportation	83,096	(241,172)	(158,076)
35 - Food Services	2,776,792	(1,111,719)	1,665,073
36 - Extracurricular Activities	21,645	(90,850)	(69,205)
41 - General Administration	17,171	(219,661)	(202,490)
51 - Facilities Maintenance and Operations	169,057	(358,285)	(189,228)
52 - Security and Monitoring Services	1,225	--	1,225
53 - Data Processing Services	2,294	(19,588)	(17,294)
61 - Community Services	56,973	(20,864)	36,109
93 - Payments Related to Shared Services Arrangements	6,772	--	6,772
	<u>\$ 7,969,412</u>	<u>\$ (8,521,999)</u>	<u>\$ (552,587)</u>

4. Pensions

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

5. Other Postemployment Benefits

The fiduciary net position of 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. Investments are reported at fair value.

6. New Accounting Standards Adopted

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by GASB: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (the "Statement"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The financial statements and note disclosures have been updated for the effects of the adoption of the Statement.

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

**2. Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**C. 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, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$7,770,946 and the bank balance was \$4,878,600. The District's cash deposits at August 31, 2018, and during the year ended August 31, 2018, 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.

## **WILLIS INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2018**

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.

The District's investments at August 31, 2018 are shown below:

<u>Investment or Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexSTAR Investment Pool	\$ 4,428,728	0.09
Lone Star Investment Pool	90,052,475	0.13
TexPool Investment Pool	4,532,809	0.09
Certificates of Deposit - Woodforest National	6,493	0.52
Total Investments	<u>\$ 99,020,505</u>	

Portfolio weighted average maturity 0.13

### **3. Analysis of Specific Deposit and Investment Risks**

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

#### **a. Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

#### **b. Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

#### **c. Concentration of Credit Risk**

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

#### **d. Interest Rate Risk**

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
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**FOR THE YEAR ENDED AUGUST 31, 2018**

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

**TexSTAR**

The District invests in the Texas Short-Term Asset Reserve Program ("TexSTAR"), which has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR is managed by a five-member board of directors (the "Board"). In accordance with the Public Funds Investment Act, TexSTAR maintains an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Advisory board members are appointed and serve at the will of the Board. J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Company (FSC) serve as co-administrators for TexSTAR under an agreement with the Board. JPMIM provides investment management services and FSC provides participant services and marketing. Custodial, fund accounting, and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary, J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. The business affairs of TexSTAR are managed by the Board in accordance with its bylaws. The bylaws set forth procedures governing the selection procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements. TexSTAR is rated AAAM by Standard and Poor's and operated in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which generally approximates the market value of the securities. The stated objective of TexSTAR is to maintain a stable \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured.



**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Lone Star

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), 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 Pool members and nonmembers. Lone Star is rated AAA 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 one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents. The District invested in all three funds as of August 31, 2018.

TexPool

The District invests in the Texas Local Government Investment Pool ("TexPool"), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board (the "Board") to advise with respect to TexPool. The Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool and are qualified to advise in respect to TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard and Poor's and operates in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org).

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**D. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,678,425	\$ --	\$ --	\$ 3,678,425
Construction in progress	9,020,057	34,412,347	(836,092)	42,596,312
Total capital assets not being depreciated	<u>12,698,482</u>	<u>34,412,347</u>	<u>(836,092)</u>	<u>46,274,737</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	132,472,900	1,203,783	--	133,676,683
Furniture and equipment	3,112,353	227,778	--	3,340,131
Vehicles	9,845,703	538,834	--	10,384,537
Total capital assets being depreciated	<u>145,430,956</u>	<u>1,970,395</u>	<u>--</u>	<u>147,401,351</u>
Less accumulated depreciation for:				
Buildings and improvements	(46,758,345)	(3,385,764)	--	(50,144,109)
Furniture and equipment	(1,498,321)	(127,195)	--	(1,625,516)
Vehicles	(6,552,919)	(595,791)	--	(7,148,710)
Total accumulated depreciation	<u>(54,809,585)</u>	<u>(4,108,750)</u>	<u>--</u>	<u>(58,918,335)</u>
Total capital assets being depreciated, net	<u>90,621,371</u>	<u>(2,138,355)</u>	<u>--</u>	<u>88,483,016</u>
Governmental activities capital assets, net	<u>\$ 103,319,853</u>	<u>\$ 32,273,992</u>	<u>\$ (836,092)</u>	<u>\$ 134,757,753</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,674,620
Instructional Resources and Media Services	98,564
School Leadership	347,239
Guidance, Counseling, and Evaluation Services	7,418
Health Services	10,745
Student Transportation	593,541
Food Services	142,358
Extracurricular Activities	846,350
General Administration	4,903
Plant Maintenance and Operations	313,546
Security and Monitoring Services	13,581
Data Processing Services	55,885
	<u>\$ 4,108,750</u>

**WILLIS INDEPENDENT SCHOOL DISTRICT****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED AUGUST 31, 2018****E. Interfund Balances and Activities****1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2018 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue Funds	\$ 174,348	Short-term loans
General Fund	Insurance Fund	624,018	Short-term loans
General Fund	Capital Projects Fund	1,000	Short-term loans
General Fund	Early Bird Child Care	550	Short-term loans
Debt Service Fund	General Fund	123,583	Short-term loans
Special Revenue Funds	Special Revenue Funds	279,903	Short-term loans
Special Revenue Funds	General Fund	294,426	Short-term loans
Special Revenue Funds	Public Entity Risk Pool Fund	34,116	Short-term loans
	Total	<u>\$ 1,531,944</u>	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

Transfers to and from other funds at August 31, 2018 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Special Revenue Funds	\$ 230	Supplement other funds sources
	Total	<u>\$ 230</u>	

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**F. Long-Term Obligations**

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Bonds, notes, and other payables:					
Series 1998 Bonds	\$ 2,287,767	\$ --	\$ (1,001,065)	\$ 1,286,702	\$ 363,720
Series 2008A Bonds	30,000	--	(30,000)	--	--
Series 2010 Bonds	9,985,000	--	(535,000)	9,450,000	555,000
Series 2012 Bonds	5,665,000	--	(40,000)	5,625,000	40,000
Series 2015 Bonds	24,530,000	--	(1,425,000)	23,105,000	2,610,000
Series 2016 Bonds	71,090,000	--	--	71,090,000	295,000
Series 2017 Bonds	39,885,000	--	(650,000)	39,235,000	115,000
Total	<u>153,472,767</u>	<u>--</u>	<u>(3,681,065)</u>	<u>149,791,702</u>	<u>3,978,720</u>
<b>Other liabilities:</b>					
Net issuance of premiums (discounts)	12,639,258	--	(625,760)	12,013,498	*
Net pension liability	13,678,697	1,293,031	(2,499,965)	12,471,763	--
Net OPEB liability	38,635,126	278	(16,751,387)	21,884,017	--
Total governmental activities	<u>\$ 218,425,848</u>	<u>\$ 1,293,309</u>	<u>\$ (23,558,177)</u>	<u>\$ 196,160,980</u>	<u>\$ 3,978,720</u>
Long-term liabilities due in more than one year				<u>\$ 192,182,260</u>	
* Debt associated with capital assets				<u>\$ 161,805,200</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 2008A bonds ranged from 4.00% to 5.00%. 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 \$8,055,129 for the year ended August 31, 2018.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
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2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018 are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 3,978,720	\$ 7,735,143	\$ 11,713,863
2020	4,068,994	7,650,955	11,719,949
2021	4,131,693	7,590,856	11,722,549
2022	4,232,295	7,493,456	11,725,751
2023	5,715,000	5,441,294	11,156,294
2024-2028	29,820,000	23,403,269	53,223,269
2029-2033	26,820,000	17,139,513	43,959,513
2034-2038	25,375,000	12,001,250	37,376,250
2039-2043	31,280,000	6,101,800	37,381,800
2044-2048	14,370,000	580,600	14,950,600
Totals	<u>\$ 149,791,702</u>	<u>\$ 95,138,136</u>	<u>\$ 244,929,838</u>

G. Commitments Under Noncapitalized Leases

The District had no future commitment under operating (noncapitalized) lease agreements.

Rental Expenditures in 2018                      \$ 214,639

H. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Pension Plan

1. 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. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

2. Pension Plan Fiduciary Net Position

Detailed information about the 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 <https://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**  
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**3. 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 in (1.) above.

**4. Contributions**

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<b><u>Contribution Rates</u></b>		
	<b>2017</b>	<b>2018</b>
Member	7.7%	7.7%
NECE - State	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 1,278,363	
District's 2017 Member Contributions	\$ 1,264,766	
NECE 2017 On-Behalf Contributions to District	\$ 1,931,868	

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

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

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

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

- 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 (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

**5. Actuarial Assumptions**

The total pension liability in the August 31, 2017 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term Expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad Hoc Postemployment Benefit Changes	None

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

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
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**6. Discount Rate**

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the NECE are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2017 are summarized below:

<b>Teacher Retirement System of Texas</b> <b>Asset Allocation and Long-Term Expected Real Rate of Return</b> <b>As of August 31, 2017</b>			
<b>Asset Class</b>	<b>Target Allocation*</b>	<b>Long-term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-term Portfolio Returns **</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	0%		2.2%
Alpha	0%		1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.

\*\* The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.



**WILLIS INDEPENDENT SCHOOL DISTRICT**  
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7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the net pension liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ <u>21,024,929</u>	\$ <u>12,471,763</u>	\$ <u>5,349,865</u>

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

At August 31, 2018, the District reported a liability of \$12,471,763 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 12,471,763
State's proportionate share that is associated with District	<u>18,887,011</u>
Total	\$ <u>31,358,774</u>

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

At August 31, 2017, the District's proportion of the collective net pension liability was 0.0390052%, which was an increase of 0.0028072% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$1,440,626 and revenue of \$1,440,626 for support provided by the State.

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At August 31, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 182,468	\$ 672,586
Changes in actuarial assumptions	568,109	325,229
Difference between projected and actual investment earnings	--	908,915
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,874,446	849
Contributions paid to TRS subsequent to the measurement date	1,322,974	--
Total	<u>\$ 4,947,997</u>	<u>\$ 1,907,579</u>

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

Year Ended August 31	Pension Expense Amount
2019	\$ 259,529
2020	1,055,634
2021	198,358
2022	(41,142)
2023	148,196
Thereafter	96,869
Total	<u>\$ 1,717,444</u>

**J. Defined Other Postemployment Benefit Plans**

**1. Plan Description**

The District participates in TRS-Care. It is a multiple-employer, 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.

**2. OPEB Plan Fiduciary Net Position**

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.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**  
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Components of the net OPEB liability of TRS-Care as of August 31, 2017 are as follows:

Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

**3. 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 the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits, TRS-Care 2 and TRS-Care 3 (the "Optional Health Insurance"). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board 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 (COLAs).

The premium rates for the Optional Health Insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A and B coverage, with 20 to 29 years of service, for the Basic Plan and the two Optional Health Insurance plans:

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

**4. 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.

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Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
NECE - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year District contributions		\$ 261,635
Current fiscal year member contributions		\$ 107,311
2017 measurement year NECE contributions		\$ 355,944

In addition to the employer contributions listed above, there is an additional surcharge to which all TRS employers are subject (regardless of whether they participate in TRS-Care). When employers hire a TRS retiree, they are required to pay a monthly surcharge of \$535 per retiree to TRS-Care. TRS-Care received supplemental appropriations from the State of Texas as the NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

**5. Actuarial Assumptions**

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

- |                                  |                            |
|----------------------------------|----------------------------|
| 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 |                            |

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Additional actuarial methods and assumptions are as follows:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Postemployment Benefit Changes	None

\*Source: 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, 2017.

\*\*Includes inflation at 2.50%

\*\*\*Initial trend rates are 7.00% for non-Medicare retirees, 10.00% for Medicare retirees, and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and 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, the OPEB plan's fiduciary net position was projected not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

7. 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 (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 25,828,572	\$ 21,884,017	\$ 18,713,483

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**Healthcare Cost Trend Rates Sensitivity Analysis** - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater 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>18,220,630</u>	\$ <u>21,884,017</u>	\$ <u>26,690,841</u>

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

At August 31, 2018, the District reported a liability of \$21,884,017 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 21,884,017
State's proportionate share that is associated with the District	<u>29,772,356</u>
Total	<u>\$ 51,656,373</u>

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

At the August 31, 2017 measurement date, the District's proportion of the collective net OPEB liability was 0.0503240%, which was the same proportion measured as of August 31, 2016.

9. Changes Since the Prior Actuarial Valuation

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

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

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac Tax." In this valuation, the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

- b. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- c. There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(9,962,622) and revenue of \$(9,962,622) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ --	\$ 456,845
Changes in actuarial assumptions	--	8,697,280
Differences between projected and actual investment earnings	3,324	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	100	--
Contributions paid to TRS subsequent to the measurement date	349,034	--
	<u>\$ 352,458</u>	<u>\$ 9,154,125</u>

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

Year Ended August 31	Amount
2019	\$ (1,207,445)
2020	(1,207,445)
2021	(1,207,445)
2022	(1,207,445)
2023	(1,208,276)
Thereafter	(3,112,645)
Total	<u>\$ (9,150,701)</u>

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**K. Employee Health Care Coverage**

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$400 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 Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2018, and terms of coverage and premium costs are included in the contractual provisions.

**L. Unemployment Compensation**

During the year ended August 31, 2018, 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 Cooperative 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. For the year ended August 31, 2018, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

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, 2017 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**M. Workers' Compensation**

During the year ended August 31, 2018, 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 reimburseable 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, 2017, the Fund carries a discount reserve of \$49,076,113 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2018, the Fund anticipated no additional liability to members beyond their contractual obligation for payment of contributions.

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, 2017 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.



**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**N. Commitments and Contingencies**

**1. Contingencies**

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**2. Litigation**

No reportable litigation was pending against the District at August 31, 2018.

**O. Shared Services Arrangements**

The District participates in a shared services arrangement (SSA) for the education of students with a visual impairment funded under State Supplemental Visually Impaired Funds, TEC Section 30.002, 19 TAC 89.238(6) with 24 other districts and SSAs and the Education Service Center - Region VI. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center - Region VI, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. Region VI is reporting \$5,250 as expenditures incurred on behalf of the District.

The District participates in an SSA for the education of migratory students funded under Title I, Part C, Migrant Education program. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center - Region VI, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future services arrangement. Region VI is reporting \$198 as expenditures incurred on behalf of the District.

**P. Prior Period Adjustment**

Beginning net position for governmental activities was restated to recognize OPEB liability for GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

	Governmental Activities
Beginning net position - as reported	\$ 53,719,578
Change in the net OPEB liability	(38,635,126)
Deferred outflows - contributions after measurement date (OPEB)	261,635
Beginning net position - as restated	<u>\$ 15,346,087</u>



### *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, 2018

**EXHIBIT G-1**

Page 1 of 2

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts			Final Budget
		Original	Final	Actual	Positive (Negative)
	<b>REVENUES:</b>				
5700	<i>Local and Intermediate Sources</i>	\$ 34,835,790	\$ 34,889,255	\$ 36,002,747	\$ 1,113,492
5800	<i>State Program Revenues</i>	24,477,797	24,507,797	27,080,485	2,572,688
5900	<i>Federal Program Revenues</i>	62,500	62,500	89,449	26,949
5020	Total Revenues	59,376,087	59,459,552	63,172,681	3,713,129
	<b>EXPENDITURES:</b>				
	Current:				
	Instruction & Instructional Related Services:				
0011	<i>Instruction</i>	34,332,024	34,684,194	34,587,681	96,513
0012	<i>Instructional Resources and Media Services</i>	187,675	212,675	197,291	15,384
0013	<i>Curriculum and Staff Development</i>	1,091,465	1,091,465	975,954	115,511
	Total Instruction & Instr. Related Services	35,611,164	35,988,334	35,760,926	227,408
	Instructional and School Leadership:				
0021	<i>Instructional Leadership</i>	173,755	173,755	168,388	5,367
0023	<i>School Leadership</i>	3,871,014	3,921,014	3,916,942	4,072
	Total Instructional & School Leadership	4,044,769	4,094,768	4,085,330	9,438
	Support Services - Student (Pupil):				
0031	<i>Guidance, Counseling, and Evaluation Services</i>	1,938,812	1,998,812	1,973,388	25,424
0032	<i>Social Work Services</i>	191,371	241,371	167,841	73,530
0033	<i>Health Services</i>	606,842	636,842	622,615	14,227
0034	<i>Student (Pupil) Transportation</i>	3,512,695	4,052,129	3,664,943	387,186
0036	<i>Cocurricular/Extracurricular Activities</i>	1,680,868	1,680,868	1,538,433	142,435
	Total Support Services - Student (Pupil)	7,930,588	8,610,022	7,967,220	642,802
	Administrative Support Services:				
0041	<i>General Administration</i>	1,955,144	1,955,144	1,862,466	92,678
	Total Administrative Support Services	1,955,144	1,955,144	1,862,466	92,678
	Support Services - Nonstudent Based:				
0051	<i>Plant Maintenance and Operations</i>	8,149,203	7,870,498	7,321,120	549,378
0052	<i>Security and Monitoring Services</i>	688,376	688,376	658,328	30,048
0053	<i>Data Processing Services</i>	453,143	468,143	459,460	8,683
	Total Support Services - Nonstudent Based	9,290,722	9,027,017	8,438,908	588,109
	Capital Outlay:				
0081	<i>Capital Outlay</i>	--	400,000	385,000	15,000
	Total Capital Outlay	--	400,000	385,000	15,000
	Intergovernmental Charges:				
0095	<i>Payments to Juvenile Justice Alternative</i>				
0095	<i>Education Programs</i>	--	10,000	8,670	1,330
0099	<i>Other Intergovernmental Charges</i>	543,700	533,700	420,784	112,916
	Total Intergovernmental Charges	543,700	543,700	429,454	114,246
6030	Total Expenditures	59,376,087	60,618,985	58,929,304	1,689,681
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(1,159,433)	4,243,377	5,402,810

**WILLIS INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

**EXHIBIT G-1**

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive
		Original	Final		(Negative)
	Other Financing Sources (Uses):				
7915	<i>Transfers In</i>	\$     --	\$     --	\$       230	\$       230
7080	Total Other Financing Sources and (Uses)	<u>      --</u>	<u>      --</u>	<u>      230</u>	<u>      230</u>
1200	Net Change in Fund Balance	<u>      --</u>	<u>(1,159,433)</u>	<u>4,243,607</u>	<u>5,403,040</u>
0100	Fund Balance - Beginning	<u>25,070,722</u>	<u>25,070,722</u>	<u>25,070,722</u>	<u>      --</u>
3000	Fund Balance - Ending	<u>\$ 84,446,809</u>	<u>\$ 85,689,707</u>	<u>\$ 29,314,329</u>	<u>\$ 1,689,681</u>

## Notes to Required Supplementary Information:

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

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**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, 2018

	Measurement Year*			
	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0390052%	0.0361980%	0.0378963%	0.0244667%
District's proportionate share of the net pension liability (asset)	\$ 12,471,763	\$ 13,678,697	\$ 13,395,838	\$ 6,535,394
State's proportionate share of the net pension liability (asset) associated with the District	18,887,011	22,386,698	21,163,850	18,665,631
Total	<u>\$ 31,358,774</u>	<u>\$ 36,065,395</u>	<u>\$ 34,559,688</u>	<u>\$ 25,201,025</u>
District's covered employee payroll**	\$ 39,972,432	\$ 37,322,171	\$ 35,786,146	\$ 34,840,688
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	31.20%	36.65%	37.43%	18.76%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

\* Only four years' worth of information currently available.

\*\* As of the measurement date.

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

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

**Changes in benefits**

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

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

For the Year Ended August 31, 2018

	Fiscal Year				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,322,974	\$ 1,278,273	\$ 1,150,103	\$ 897,108	\$ 620,299
Contributions in relation to the contractually required contribution	1,322,974	1,278,273	1,150,103	897,108	620,299
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered employee payroll	\$ 41,678,787	\$ 39,972,432	\$ 37,322,171	\$ 35,786,146	\$ 34,840,688
Contributions as a percentage of covered employee payroll	3.17%	3.20%	3.08%	2.51%	1.78%



**EXHIBIT G-3**

Fiscal Year				
2013	2012	2011	2010	2009
\$ 469,707	\$ 392,991	\$ 412,361	\$ 377,142	\$ 310,957
469,707	392,991	412,361	377,142	310,957
\$ --	\$ --	\$ --	\$ --	\$ --
\$ 33,203,801	\$ 32,090,718	\$ 33,489,278	\$ 32,895,664	\$ 30,409,722
1.41%	1.22%	1.23%	1.15%	1.02%

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**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, 2018*

	Measurement Year*
	<u>2017</u>
District's proportion of the collective net OPEB liability	0.0503240%
District's proportionate share of the collective net OPEB liability	\$ 21,884,017
State proportionate share of the collective net OPEB liability associated with the District	29,772,356
Total	<u>\$ 51,656,373</u>
District's covered employee payroll**	\$ 39,972,432
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	54.75%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

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

\*\* As of the measurement date.

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

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

*Changes in Benefits:*

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



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

For the Year Ended August 31, 2018

	Fiscal Year*
	<u>2018</u>
Statutorily or contractually required District contribution	\$ 349,034
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	349,034
Contribution deficiency (excess)	\$ <u>    --    </u>
District's covered employee payroll**	\$ 41,678,787
Contributions as a percentage of covered employee payroll	0.84%

\* Only one year's 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, 2018

Data Control Codes	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	224 IDEA-B Formula	225 IDEA-B Preschool Grant
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ --
1120 Current Investments	--	--	--	--
1240 Due from Other Governments	139,939	17,909	404,255	4,538
1260 Due from Other Funds	--	--	--	--
1410 Unrealized Expenditures	96,961	--	--	536
1000 Total Assets	<u>236,900</u>	<u>17,909</u>	<u>404,255</u>	<u>5,074</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ --	\$ --	\$ --	\$ --
2160 Accrued Wages Payable	--	--	64,252	89
2170 Due to Other Funds	236,602	17,909	58,798	2,969
2200 Accrued Expenditures	298	--	--	--
2300 Unearned Revenue	--	--	281,205	2,016
2000 Total Liabilities	<u>236,900</u>	<u>17,909</u>	<u>404,255</u>	<u>5,074</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	--	--
3490 Other Restrictions of Fund Balance	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 236,900</u>	<u>\$ 17,909</u>	<u>\$ 404,255</u>	<u>\$ 5,074</u>



226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement
\$ 47,709	\$ 109,765	\$ --	\$ --	\$ 10,168
--	705,945	--	--	--
--	218,434	429	42,332	20,983
--	294,427	--	--	--
--	--	--	5,131	--
<u>47,709</u>	<u>1,328,571</u>	<u>429</u>	<u>47,463</u>	<u>31,151</u>
\$ 5,308	\$ 204,877	\$ --	\$ --	\$ --
--	85,345	261	--	15,978
42,401	57,753	168	17,718	1,991
--	9,333	--	--	34
--	--	--	29,745	13,148
<u>47,709</u>	<u>357,308</u>	<u>429</u>	<u>47,463</u>	<u>31,151</u>
--	971,263	--	--	--
--	--	--	--	--
--	<u>971,263</u>	--	--	--
<u>\$ 47,709</u>	<u>\$ 1,328,571</u>	<u>\$ 429</u>	<u>\$ 47,463</u>	<u>\$ 31,151</u>

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**AUGUST 31, 2018**

Data Control Codes	272 MAC Program	280 Medicare Reimbursement SHARS	288 Junior Reserve Officer Training Corp.	289 Summer School LEP
<b>ASSETS:</b>				
1110 <i>Cash and Cash Equivalents</i>	\$ 57,003	\$ 3,384,137	\$ --	\$ 7,503
1120 <i>Current Investments</i>	--	--	--	--
1240 <i>Due from Other Governments</i>	--	--	--	--
1260 <i>Due from Other Funds</i>	--	279,903	--	--
1410 <i>Unrealized Expenditures</i>	--	3,000	--	--
1000 <i>Total Assets</i>	<u>57,003</u>	<u>3,667,040</u>	<u>--</u>	<u>7,503</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ --	\$ 2,796	\$ --	\$ --
2160 <i>Accrued Wages Payable</i>	--	34,234	--	--
2170 <i>Due to Other Funds</i>	--	22,404	--	65
2200 <i>Accrued Expenditures</i>	--	1,681	--	--
2300 <i>Unearned Revenue</i>	--	--	--	--
2000 <i>Total Liabilities</i>	<u>--</u>	<u>61,115</u>	<u>--</u>	<u>65</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	10,679	3,605,925	--	7,438
3490 <i>Other Restrictions of Fund Balance</i>	46,324	--	--	--
3000 <i>Total Fund Balances</i>	<u>57,003</u>	<u>3,605,925</u>	<u>--</u>	<u>7,438</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 57,003</u>	<u>\$ 3,667,040</u>	<u>\$ --</u>	<u>\$ 7,503</u>

331 Career and Tech Basic Grant	385 Supplemental Visually Impaired	392 Non-Educational Community-Based Support	393 Texas Successful Schools	397 Advanced Placement Incentives
\$ --	\$ 270	\$ --	\$ 725	\$ 1,652
--	--	--	--	--
15,817	--	891	--	--
--	--	--	--	--
--	--	--	--	--
<u>15,817</u>	<u>270</u>	<u>891</u>	<u>725</u>	<u>1,652</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
15,817	--	891	--	--
--	--	--	--	--
--	--	--	--	1,350
<u>15,817</u>	<u>--</u>	<u>891</u>	<u>--</u>	<u>1,350</u>
--	--	--	--	--
--	270	--	725	302
--	<u>270</u>	--	<u>725</u>	<u>302</u>
\$ <u>15,817</u>	\$ <u>270</u>	\$ <u>891</u>	\$ <u>725</u>	\$ <u>1,652</u>

**WILLIS INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****AUGUST 31, 2018**

Data Control Codes		410	423
		State Textbook	LEP Student Success Initiative
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$ 170,185	\$ --
1120	Current Investments	--	--
1240	Due from Other Governments	--	--
1260	Due from Other Funds	--	--
1410	Unrealized Expenditures	--	--
1000	Total Assets	<u>170,185</u>	<u>--</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	Accounts Payable	\$ 109	\$ --
2160	Accrued Wages Payable	--	--
2170	Due to Other Funds	--	--
2200	Accrued Expenditures	--	--
2300	Unearned Revenue	--	--
2000	Total Liabilities	<u>109</u>	<u>--</u>
<b>FUND BALANCES:</b>			
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	--
3490	Other Restrictions of Fund Balance	<u>170,076</u>	<u>--</u>
3000	Total Fund Balances	<u>170,076</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 170,185</u>	<u>\$ --</u>

429	461	499	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
Read To Succeed	Campus Activity	Scholastic Clay Target Program Grant	
\$ 13,416	\$ 616,666	\$ --	\$ 4,419,199
--	--	--	705,945
--	--	12,880	878,407
--	--	--	574,330
1,400	--	--	107,028
<u>14,816</u>	<u>616,666</u>	<u>12,880</u>	<u>6,684,909</u>
\$ --	\$ 7,518	\$ --	\$ 220,608
--	--	--	200,159
--	--	12,880	488,366
--	--	--	11,346
2,100	--	--	329,564
<u>2,100</u>	<u>7,518</u>	<u>12,880</u>	<u>1,250,043</u>
--	--	--	4,595,305
12,716	609,148	--	839,561
<u>12,716</u>	<u>609,148</u>	<u>--</u>	<u>5,434,866</u>
\$ 14,816	\$ 616,666	\$ 12,880	\$ 6,684,909

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	224 IDEA-B Formula	225 IDEA-B Preschool Grant
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	1,407,172	42,909	1,220,788	25,594
5020 <i>Total Revenues</i>	<u>1,407,172</u>	<u>42,909</u>	<u>1,220,788</u>	<u>25,594</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	1,169,818	40,349	1,029,452	25,594
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	203,355	2,560	--	--
0021 <i>Instructional Leadership</i>	--	--	34,471	--
0023 <i>School Leadership</i>	12,783	--	--	--
0031 <i>Guidance, Counseling, and Evaluation Services</i>	--	--	135,650	--
0032 <i>Social Work Services</i>	--	--	--	--
0033 <i>Health Services</i>	--	--	--	--
0034 <i>Student Transportation</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	--
0061 <i>Community Services</i>	21,216	--	21,215	--
0093 <i>Payments to Shared Services Arrangements</i>	--	--	--	--
6030 <i>Total Expenditures</i>	<u>1,407,172</u>	<u>42,909</u>	<u>1,220,788</u>	<u>25,594</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>	--	--	--	--
1100 <i>Expenditures</i>	--	--	--	--
Other Financing Sources and (Uses):				
8911 <i>Transfers Out</i>	--	--	--	--
7080 <i>Total Other Financing Sources and (Uses)</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>

226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement
\$ --	\$ 1,131,367	\$ --	\$ --	\$ --
--	21,502	--	--	--
95,334	3,131,542	429	150,504	109,618
95,334	4,284,411	429	150,504	109,618
52,933	--	429	5,018	100,254
--	--	--	--	--
--	--	--	140,032	4,964
--	--	--	--	--
--	--	--	5,454	4,400
--	--	--	--	--
--	--	--	--	--
42,401	--	--	--	--
--	4,121,587	--	--	--
--	--	--	--	--
--	120,000	--	--	--
--	--	--	--	--
--	--	--	--	--
95,334	4,241,587	429	150,504	109,618
--	42,824	--	--	--
--	--	--	--	--
--	--	--	--	--
--	42,824	--	--	--
--	928,439	--	--	--
\$ --	\$ 971,263	\$ --	\$ --	\$ --

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes	272 MAC Program	280 Medicare Reimbursement SHARS	288 Junior Reserve Officer Training Corp.	289 Summer School LEP
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--	--
5900 <i>Federal Program Revenues</i>	13,835	848,774	24,086	3,561
5020 <i>Total Revenues</i>	<u>13,835</u>	<u>848,774</u>	<u>24,086</u>	<u>3,561</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	--	421,134	--	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	2,090	18,923	--
0021 <i>Instructional Leadership</i>	--	11,308	--	--
0023 <i>School Leadership</i>	--	11,298	3,314	7,987
0031 <i>Guidance, Counseling, and Evaluation Services</i>	--	7,592	--	--
0032 <i>Social Work Services</i>	--	1,937	--	--
0033 <i>Health Services</i>	3,156	120,594	--	--
0034 <i>Student Transportation</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	1,985	--
0051 <i>Facilities Maintenance and Operations</i>	--	14,127	--	--
0061 <i>Community Services</i>	--	11,527	--	--
0093 <i>Payments to Shared Services Arrangements</i>	--	--	--	--
6030 <i>Total Expenditures</i>	<u>3,156</u>	<u>601,607</u>	<u>24,222</u>	<u>7,987</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>10,679</u>	<u>247,167</u>	<u>(136)</u>	<u>(4,426)</u>
Other Financing Sources and (Uses):				
8911 <i>Transfers Out</i>	--	--	--	--
7080 <i>Total Other Financing Sources and (Uses)</i>	--	--	--	--
1200 <i>Net Change in Fund Balances</i>	<u>10,679</u>	<u>247,167</u>	<u>(136)</u>	<u>(4,426)</u>
0100 <i>Fund Balances - Beginning</i>	46,324	3,358,758	136	11,864
3000 <i>Fund Balances - Ending</i>	<u>\$ 57,003</u>	<u>\$ 3,605,925</u>	<u>\$ --</u>	<u>\$ 7,438</u>



331 Career and Tech Basic Grant	385 Supplemental Visually Impaired	392 Non-Educational Community-Based Support	393 Texas Successful Schools	397 Advanced Placement Incentives
\$ --	\$ --	\$ --	\$ --	\$ --
--	5,250	10,625	--	8,550
81,104	--	--	--	--
<u>81,104</u>	<u>5,250</u>	<u>10,625</u>	<u>--</u>	<u>8,550</u>
73,394	5,250	--	--	--
--	--	--	--	--
934	--	--	--	8,550
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	10,625	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
6,776	--	--	--	--
<u>81,104</u>	<u>5,250</u>	<u>10,625</u>	<u>--</u>	<u>8,550</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	270	--	725	302
<u>\$ --</u>	<u>\$ 270</u>	<u>\$ --</u>	<u>\$ 725</u>	<u>\$ 302</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, 2018**

Data Control Codes		410 State Textbook	423 LEP Student Success Initiative
<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ --	\$ --
5800	State Program Revenues	644,256	--
5900	Federal Program Revenues	--	--
5020	Total Revenues	<u>644,256</u>	<u>--</u>
<b>EXPENDITURES:</b>			
Current:			
0011	Instruction	473,887	--
0012	Instructional Resources and Media Services	--	--
0013	Curriculum and Staff Development	350	--
0021	Instructional Leadership	--	--
0023	School Leadership	--	--
0031	Guidance, Counseling, and Evaluation Services	--	--
0032	Social Work Services	--	--
0033	Health Services	--	--
0034	Student Transportation	--	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	--	--
0051	Facilities Maintenance and Operations	--	--
0061	Community Services	--	--
0093	Payments to Shared Services Arrangements	--	--
6030	Total Expenditures	<u>474,237</u>	<u>--</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>170,019</u>	<u>--</u>
Other Financing Sources and (Uses):			
8911	Transfers Out	--	(230)
7080	Total Other Financing Sources and (Uses)	--	(230)
1200	Net Change in Fund Balances	<u>170,019</u>	<u>(230)</u>
0100	Fund Balances - Beginning	57	230
3000	Fund Balances - Ending	<u>\$ 170,076</u>	<u>\$ --</u>

429	461	499	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Read To Succeed	Campus Activity	Scholastic Clay Target Program Grant	
\$ --	\$ 982,493	\$ --	\$ 2,113,860
16,730	--	--	706,913
--	--	--	7,155,250
<u>16,730</u>	<u>982,493</u>	<u>--</u>	<u>9,976,023</u>
7,748	53,687	--	3,458,947
--	2,661	--	2,661
--	--	--	381,758
--	--	--	45,779
--	--	--	45,236
--	--	--	143,242
--	--	--	12,562
--	--	--	123,750
--	--	--	42,401
--	--	--	4,121,587
--	858,647	--	860,632
--	--	--	134,127
--	--	--	53,958
--	--	--	6,776
<u>7,748</u>	<u>914,995</u>	<u>--</u>	<u>9,433,416</u>
8,982	67,498	--	542,607
--	--	--	(230)
--	--	--	(230)
<u>8,982</u>	<u>67,498</u>	<u>--</u>	<u>542,377</u>
3,734	541,650	--	4,892,489
<u>\$ 12,716</u>	<u>\$ 609,148</u>	<u>\$ --</u>	<u>\$ 5,434,866</u>

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**WILLIS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

AUGUST 31, 2018

Data Control Codes	753  Insurance Fund	755  Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-1)
<b>ASSETS:</b>			
Current Assets:			
1110 <i>Cash and Cash Equivalents</i>	\$ 33,485	\$ 643,410	\$ 676,895
1120 <i>Investments</i>	2,229,361	--	2,229,361
<i>Receivables:</i>			
1260 <i>Due from Other Funds</i>	--	34,116	34,116
1290 <i>Other Receivables (net)</i>	234,962	--	234,962
Total Current Assets	2,497,808	677,526	3,175,334
1000 Total Assets	2,497,808	677,526	3,175,334
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 164,636	\$ --	\$ 164,636
2170 <i>Due to Other Funds</i>	624,019	--	624,019
Total Current Liabilities	788,655	--	788,655
2000 Total Liabilities	788,655	--	788,655
<b>NET POSITION:</b>			
3800 <i>Restricted</i>	1,709,153	677,526	2,386,679
3000 Total Net Position	\$ 1,709,153	\$ 677,526	\$ 2,386,679



**WILLIS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	753  Insurance Fund	755  Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-2)
<b>OPERATING REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 6,426,023	\$ --	\$ 6,426,023
5020 <i>Total Revenues</i>	<u>6,426,023</u>	<u>--</u>	<u>6,426,023</u>
<b>OPERATING EXPENSES:</b>			
6200 <i>Professional and Contracted Services</i>	5,554,095	176,598	5,730,693
6300 <i>Supplies and Materials</i>	<u>14,185</u>	<u>--</u>	<u>14,185</u>
6030 <i>Total Expenses</i>	<u>5,568,280</u>	<u>176,598</u>	<u>5,744,878</u>
1300 <i>Change in Net Position</i>	857,743	(176,598)	681,145
0100 <i>Total Net Position - Beginning</i>	851,410	854,124	1,705,534
3300 <i>Total Net Position - Ending</i>	<u>\$ 1,709,153</u>	<u>\$ 677,526</u>	<u>\$ 2,386,679</u>





**WILLIS INDEPENDENT SCHOOL DISTRICT****COMBINING STATEMENT OF CASH FLOWS****INTERNAL SERVICE FUNDS**

FOR THE YEAR ENDED AUGUST 31, 2018

	753	755	Total Internal Service Funds (See Exhibit D-3)
	Insurance Fund	Public Entity Risk Pool	
<b>Cash Flows from Operating Activities:</b>			
<i>Cash Received from Customers</i>	\$ 6,426,023	\$ --	\$ 6,426,023
<i>Cash Receipts (Payments) for Quasi-external         Operating Transactions with Other Funds</i>	3,221	--	3,221
<i>Cash Payments to Employees</i>	(5,554,095)	(176,598)	(5,730,693)
<i>Cash Payments to Suppliers for Goods and Services</i>	(14,398)	--	(14,398)
Net Cash Provided (Used) by Operating Activities	<u>860,751</u>	<u>(176,598)</u>	<u>684,153</u>
<b>Cash Flows from Investing Activities:</b>			
<i>Purchase of Investment Securities</i>	(834,844)	--	(834,844)
Net Cash Provided (Used) for Investing Activities	<u>(834,844)</u>	<u>--</u>	<u>(834,844)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	25,907	(176,598)	(150,691)
Cash and Cash Equivalents at Beginning of Year	7,578	820,008	827,586
Cash and Cash Equivalents at End of Year	<u>\$ 33,485</u>	<u>\$ 643,410</u>	<u>\$ 676,895</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash     Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 857,743	\$ (176,598)	\$ 681,145
Change in Assets and Liabilities:			
<i>Increase (Decrease) in Accounts Payable</i>	(213)	--	(213)
<i>Increase (Decrease) in Interfund Payables</i>	3,221	--	3,221
Total Adjustments	<u>3,008</u>	<u>--</u>	<u>3,008</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 860,751</u>	<u>\$ (176,598)</u>	<u>\$ 684,153</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, 2018*

Year Ended August 31	1		2	3	
	Tax Rates			Assessed/Appraised Value For School Tax Purposes	
	Maintenance	Debt Service			
2009 and Prior Years	Various	Various		Various	
2010	\$ 1.04	\$ .33	\$	1,989,547,518	
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 (School Year Under Audit)	\$ 1.04	\$ .35	\$	3,326,908,645	

1000 Totals

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

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
\$ 329,843	\$ --	\$ 10,139	\$ 3,282	\$ (28,727)	\$ 287,695
52,246	--	2,665	846	(3,875)	44,860
67,966	--	3,529	1,120	(640)	62,677
83,822	--	6,353	2,016	(640)	74,813
96,806	--	11,634	3,691	4,691	86,172
119,308	--	16,143	5,432	1,715	99,448
159,499	--	33,301	11,207	7,323	122,314
273,241	--	76,965	25,902	(1,012)	169,362
748,787	--	297,627	100,163	(72,706)	278,291
--	46,244,030	33,994,487	11,440,453	--	809,090
<u>\$ 1,931,518</u>	<u>\$ 46,244,030</u>	<u>\$ 34,452,844</u>	<u>\$ 11,594,111</u>	<u>\$ (93,871)</u>	<u>\$ 2,034,722</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**EXHIBIT J-2**

Data Control Codes		1	2	3	Variance with Final Budget Positive Negative
		Budgeted Amounts			
		Original	Final	Actual	
	<b>REVENUES:</b>				
5700	<i>Local and Intermediate Sources</i>	\$ 1,122,203	\$ 1,122,196	\$ 1,131,367	\$ 9,171
5800	<i>State Program Revenues</i>	--	--	21,502	21,502
5900	<i>Federal Program Revenues</i>	3,609,415	3,609,415	3,131,542	(477,873)
5020	Total Revenues	<u>4,731,618</u>	<u>4,731,611</u>	<u>4,284,411</u>	<u>(447,200)</u>
	<b>EXPENDITURES:</b>				
	Current:				
	Support Services - Student (Pupil):				
0035	<i>Food Services</i>	4,611,618	4,682,903	4,121,587	561,316
	Total Support Services - Student (Pupil)	<u>4,611,618</u>	<u>4,682,903</u>	<u>4,121,587</u>	<u>561,316</u>
	Support Services - Nonstudent Based:				
0051	<i>Plant Maintenance and Operations</i>	120,000	120,000	120,000	--
	Total Support Services - Nonstudent Based	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>--</u>
6030	Total Expenditures	<u>4,731,618</u>	<u>4,802,903</u>	<u>4,241,587</u>	<u>561,316</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(71,292)	42,824	114,116
1200	Net Change in Fund Balance	--	(71,292)	42,824	114,116
0100	Fund Balance - Beginning	928,439	928,439	928,439	--
3000	Fund Balance - Ending	\$ 928,439	\$ 857,147	\$ 971,263	\$ 114,116





**WILLIS INDEPENDENT SCHOOL DISTRICT**
**EXHIBIT J-3**

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1		2	3	Variance with Final Budget	
	Budgeted Amounts				Positive	
	Original	Final		Actual	(Negative)	
REVENUES:						
5700	Local and Intermediate Sources		\$ 11,766,195	\$ 11,537,952	\$ 11,788,228	\$ 250,276
5800	State Program Revenues		--	228,243	209,381	(18,862)
5020	Total Revenues		11,766,195	11,766,195	11,997,609	231,414
EXPENDITURES:						
Debt Service:						
0071	Principal on Long-Term Debt		11,766,195	3,695,093	3,681,065	14,028
0072	Interest on Long-Term Debt		--	8,055,129	8,055,129	--
0073	Bond Issuance Costs and Fees		--	15,973	15,973	--
	Total Debt Service		11,766,195	11,766,195	11,752,167	14,028
6030	Total Expenditures		11,766,195	11,766,195	11,752,167	14,028
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures		--	--	245,442	245,442
1200	Net Change in Fund Balance		--	--	245,442	245,442
0100	Fund Balance - Beginning		3,372,088	3,372,088	3,372,088	--
3000	Fund Balance - Ending		\$ 3,372,088	\$ 3,372,088	\$ 3,617,530	\$ 245,442



*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

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 10, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control 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*.

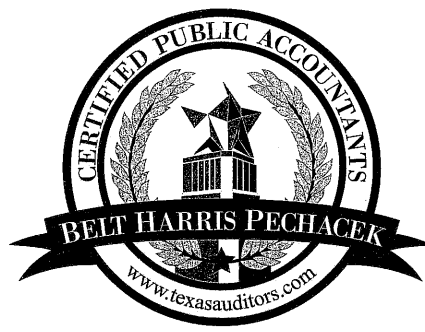
## **Purpose of this Report**

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.

Respectfully submitted,

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP  
*Certified Public Accountants*  
Houston, Texas  
February 10, 2019



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees of  
Willis Independent School District:

**Report on Compliance for Each Major Federal Program**

We have audited the 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, 2018. 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, 2018.

## 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 considered 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.

Respectfully submitted,

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP  
Certified Public Accountants  
Houston, Texas  
February 10, 2019



**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**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

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster
10.565	Food Distribution Cluster

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

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2018*

<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, 2018**

**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
<b>CHILD NUTRITION CLUSTER:</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	170-904	\$ 842,970
National School Lunch Program	10.555	170-904	2,061,851
Total Passed Through State Department of Education			2,904,821
Total U. S. Department of Agriculture			2,904,821
Total Child Nutrition Cluster			2,904,821
<b>FOOD DISTRIBUTION CLUSTER:</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
Commodity Supplemental Food Program (Non-cash)	10.565	00832	226,721
Total Passed Through State Department of Education			226,721
Total U. S. Department of Agriculture			226,721
Total Food Distribution Cluster			226,721
<b>MEDICAID CLUSTER:</b>			
<u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Education:			
Medicaid Administrative Claiming Program - MAC	93.778	170-904	13,834
Total Passed Through State Department of Education			13,834
Total U. S. Department of Health and Human Services			13,834
Total Medicaid Cluster			13,834
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-B Discretionary	84.027	66001806	95,334
IDEA-B Formula	84.027	186600011709046000	1,220,788
Total CFDA Number 84.027			1,316,122
IDEA-B Preschool	84.173	186610011709046000	25,594
Total Passed Through State Department of Education			1,341,716
Total U. S. Department of Education			1,341,716
Total Special Education (IDEA) Cluster			1,341,716

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**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
<b>OTHER PROGRAMS:</b>			
<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	18671001170904	\$ 1,407,172
<i>Title I 1003 School Improvement</i>	84.010	18610123170904	42,909
Total CFDA Number 84.010			<u>1,450,081</u>
<i>Career and Technical - Basic Grant</i>	84.048	18420006170904	429
<i>SSA Carl D. Perkins Basic Formula</i>	84.048	18420006170904	81,104
Total CFDA Number 84.048			<u>81,533</u>
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	18671001170904	109,618
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367	18694501170904	150,504
<i>Summer School LEP</i>	84.369	69551702	3,561
<i>Title IV, Part A, Subpart 1</i>	84.424	18680101170904	24,086
Total Passed Through State Department of Education			<u>1,819,383</u>
Total U. S. Department of Education			<u>1,819,383</u>
<u>U. S. Department of Defense</u>			
Passed Through State Department of Education:			
<i>Junior Reserve Officer Training Corp.</i>	12.000	170-904	79,870
Total Passed Through State Department of Education			<u>79,870</u>
Total U. S. Department of Defense			<u>79,870</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,386,345</u>
		Federal revenue per SEF	\$ 6,386,345
		SHARs	848,776
		Forest Minerals	9,579
		Federal revenue per Exhi	<u>\$ 7,244,700</u>

The accompanying notes are an integral part of this schedule.



## **WILLIS INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2018**

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District. The information in the Schedule 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 Schedule 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 Schedule, 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, 2018*

<u>Data Control Codes</u>		<u>Responses</u>
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 school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school 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.	\$ 12,471,763

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