

**WILLIS INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED AUGUST 31, 2017

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Willis Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2017

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## *Introductory Section*

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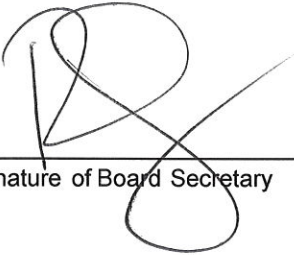
CERTIFICATE OF BOARD

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, 2017, at a meeting of the board of trustees of such school district on the 14<sup>th</sup> day of February, 2018.

  
\_\_\_\_\_  
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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule 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 required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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,

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP  
*Certified Public Accountants*  
Houston, Texas  
February 12, 2018

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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, 2017**

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, 2017. It should be read in conjunction with the District's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The District's total combined net position at August 31, 2017 was \$53,719,578.
- For the fiscal year ended August 31, 2017, the District's general fund reported a total fund balance of \$25,070,722, of which \$17,200,000 is committed, \$3,882 is nonspendable, and \$7,866,840 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 \$127,185,839.

### **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 fund (the District's insurance fund).
- *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.

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***

**For the Year Ended August 31, 2017**

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.

The government-wide financial statements of the District include the *governmental 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.

### **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 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 operates the Early Bird Child Care. This program is financed through the collection of fees and tuition from participants. The proprietary funds also show the activity of internal services offered throughout the District including a health insurance fund and workers' compensation insurance, and are shown in a separate statement of net position and statement of changes in net position.

# WILLIS INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2017

- *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 that are 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.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$53,719,578 at August 31, 2017. *Table 1* focuses on the net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2017. The overall condition of the District increased as a result of increases in property taxes and the issuance of new bonded debt.

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

Description	Governmental Activities		Total Change
	2017	2016	2017-2016
Current assets	\$ 135,809,953	\$ 107,753,667	\$ 28,056,286
Capital assets	103,319,853	86,122,588	17,197,265
Restricted net assets	95,632	95,632	-
<b>Total Assets</b>	<b>239,225,438</b>	<b>193,971,887</b>	<b>45,253,551</b>
Deferred outflows related to pensions	5,632,540	8,130,204	(2,497,664)
<b>Total Deferred Outflows of Resources</b>	<b>5,632,540</b>	<b>8,130,204</b>	<b>(2,497,664)</b>
Current liabilities	6,066,558	7,039,182	(972,624)
Long-term liabilities	179,790,724	143,216,550	36,574,174
<b>Total Liabilities</b>	<b>185,857,282</b>	<b>150,255,732</b>	<b>35,601,550</b>
Deferred charge on refunding	4,492,388	4,922,124	(429,736)
Deferred inflows related to pensions	788,730	3,491,862	(2,703,132)
<b>Total Deferred Inflows of Resources</b>	<b>5,281,118</b>	<b>8,413,986</b>	<b>(3,132,868)</b>
<b>Net Position:</b>			
Net investment in capital assets	31,058,368	23,549,853	7,508,515
Restricted	8,264,577	7,212,030	1,052,547
Unrestricted	14,396,633	12,670,490	1,726,143
<b>Total Net Position</b>	<b>\$ 53,719,578</b>	<b>\$ 43,432,373</b>	<b>\$ 10,287,205</b>

# WILLIS INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2017

Description	Business-Type Activities		Total Change
	2017	2016	2017-2016
Current assets	\$ 464,005	\$ 414,079	\$ 49,926
<b>Total Assets</b>	<u>464,005</u>	<u>414,079</u>	<u>49,926</u>
Current liabilities	396	419	(23)
<b>Total Liabilities</b>	<u>396</u>	<u>419</u>	<u>(23)</u>
<b>Net Position:</b>			
Unrestricted	463,609	413,660	49,949
<b>Total Net Position</b>	<u>\$ 463,609</u>	<u>\$ 413,660</u>	<u>\$ 49,949</u>

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2017

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

	Governmental Activities		Total Change
	2017	2016	2017-2016
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 2,107,992	\$ 2,286,326	\$ (178,334)
Operating grants and contributions	11,785,026	12,494,533	(709,507)
General revenues:			
Property taxes	42,652,257	38,151,322	4,500,935
State foundation program	24,471,153	25,541,343	(1,070,190)
Investment earnings	1,108,243	322,168	786,075
Miscellaneous	343,844	416,714	(72,870)
<b>Total Revenue</b>	<b>82,468,515</b>	<b>79,212,406</b>	<b>3,256,109</b>
<b>Expenses</b>			
Instruction	34,695,222	37,225,363	(2,530,141)
Instructional resources and media services	626,293	615,040	11,253
Curriculum and staff development	1,603,669	1,473,459	130,210
Instructional leadership	209,601	226,034	(16,433)
School leadership	4,268,077	4,076,029	192,048
Guidance, counseling, and evaluation services	2,126,491	2,074,688	51,803
Social work services	174,022	139,302	34,720
Health services	737,588	779,700	(42,112)
Student (pupil) transportation	3,756,886	3,474,840	282,046
Food services	4,536,156	4,912,543	(376,387)
Cocurricular/extracurricular activities	3,171,891	3,036,005	135,886
General administration	1,821,522	1,739,427	82,095
Plant maintenance and operations	6,675,590	6,716,357	(40,767)
Security and monitoring	547,737	490,259	57,478
Data processing services	429,989	428,971	1,018
Community services	55,502	61,614	(6,112)
Interest on long-term debt	6,348,425	3,590,715	2,757,710
Bond issuance costs and fees	-	217,200	(217,200)
Payments related to shared services arrangements	9,042	8,088	954
Payments to juvenile justice alternative ed. Programs	-	7,310	(7,310)
Other intergovernmental charges	387,607	330,890	56,717
<b>Total Expenses</b>	<b>72,181,310</b>	<b>71,623,834</b>	<b>557,476</b>
<b>Change in Net Position</b>	<b>10,287,205</b>	<b>7,588,572</b>	<b>2,698,633</b>
Beginning net position	43,432,373	35,843,801	7,588,572
<b>Ending Net Position</b>	<b>\$ 53,719,578</b>	<b>\$ 43,432,373</b>	<b>\$ 10,287,205</b>

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2017

	Business-Type Activities		Total Change
	2017	2016	2017-2016
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 95,298	\$ 91,722	\$ 3,576
Operating grants and contributions	-	4,981	(4,981)
General revenues:			
Miscellaneous	-	400	(400)
<b>Total Revenue</b>	<u>95,298</u>	<u>97,103</u>	<u>(1,805)</u>
<b>Expenses</b>			
Community services	45,349	45,996	(647)
<b>Total Expenses</b>	<u>45,349</u>	<u>45,996</u>	<u>(647)</u>
<b>Change in Net Position</b>	<u>49,949</u>	<u>51,107</u>	<u>(1,158)</u>
Beginning net position	413,660	362,553	51,107
<b>Ending Net Position</b>	<u>\$ 463,609</u>	<u>\$ 413,660</u>	<u>\$ 49,949</u>

Revenues from governmental activities totaled \$82,468,515, which is an increase of \$3,256,109 from the 2016 fiscal year. Property tax revenue is the District's largest revenue source, which totaled \$42,652,257 for the year. This represents an increase of \$4,500,935 compared to the previous year.

Expenses for governmental activities totaled \$72,181,310, which is an increase of \$557,476 from the 2016 fiscal year. In total, expenses for the year increased 1% from the prior year.

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

At the close of the fiscal year ending August 31, 2017, the District's combined governmental funds reported a fund balance of \$127,185,839. This compares to a combined fund balance of \$100,042,589 at August 31, 2016. The fund balance in the general fund increased due to an increase in property tax revenues. The fund balance in the debt service fund increased due to a new bond issuance and an increase in property tax revenues. The fund balance in the capital projects fund increased due to a new bond issuance.

#### **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, 2017, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues exceeded budgeted revenues by \$1,703,183 and the budgeted expenditures exceeded actual expenditures by \$4,092,925.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended August 31, 2017**

**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, 2017, 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, 2017, the District had a total of \$103,319,853 invested in capital assets (net of accumulated depreciation) such as land, buildings, and District equipment. This total includes \$21,077,217 invested during the fiscal year ended August 31, 2017.

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 \$179,790,724 in long-term debt outstanding versus \$143,216,550 last year. The net increase totaled \$36,574,174 primarily due to series 2017 bond sale of \$39,885,000.

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 2017-2018:

- Property values for ad valorem tax purposes increased for 2017-2018 compared to 2016-2017.
- No new programs were added and no significant changes to existing programs occurred during the current year and no significant changes are planned for 2017-2018.
- The District budgeted revenues of \$59,376,087 and expenditures of \$59,376,087 for an even budget for 2017-2018. This is an increase of 3% from the prior year budget.
- The District's M&O 2017-2018 tax rate is \$1.04 per \$100 of property valuation and the I&S 2017-2018 tax rate is \$0.35 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*

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2017**

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ 1,909,159	\$ 464,005	\$ 2,373,164
1120 Current Investments	131,629,547	--	131,629,547
1220 Property Taxes Receivable	1,931,518	--	1,931,518
1230 Allowance for Uncollectible Taxes	(544,487)	--	(544,487)
1240 Due from Other Governments	138,519	--	138,519
1260 Internal Balances	165,685	--	165,685
1290 Other Receivables (Net)	427,628	--	427,628
1300 Inventories	2,799	--	2,799
1410 Prepaid Items	149,585	--	149,585
Capital Assets:			
1510 Land	3,678,425	--	3,678,425
1520 Buildings and Improvements, Net	85,714,555	--	85,714,555
1530 Furniture and Equipment, Net	1,614,032	--	1,614,032
1540 Vehicles, Net	3,292,784	--	3,292,784
1580 Construction in Progress	9,020,057	--	9,020,057
1910 Long-Term Investments	95,632	--	95,632
1000 Total Assets	<u>239,225,438</u>	<u>464,005</u>	<u>239,689,443</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
1705 Deferred Outflows Related to Pensions	5,632,540	--	5,632,540
1700 Total Deferred Outflows of Resources	<u>5,632,540</u>	<u>--</u>	<u>5,632,540</u>
<b>LIABILITIES:</b>			
2110 Accounts Payable	1,487,342	--	1,487,342
2140 Interest Payable	439,375	--	439,375
2165 Accrued Liabilities	3,296,323	396	3,296,719
2300 Unearned Revenue	843,518	--	843,518
Noncurrent Liabilities:			
2501 Due Within One Year	3,681,065	--	3,681,065
2502 Due in More Than One Year	162,430,962	--	162,430,962
2540 Net Pension Liability	13,678,697	--	13,678,697
2000 Total Liabilities	<u>185,857,282</u>	<u>396</u>	<u>185,857,678</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
2601 Deferred Charge on Refunding	4,492,388	--	4,492,388
2605 Deferred Inflows Related to Pensions	788,730	--	788,730
2600 Total Deferred Inflows of Resources	<u>5,281,118</u>	<u>--</u>	<u>5,281,118</u>
<b>NET POSITION:</b>			
3200 Net Investment in Capital Assets	31,058,368	--	31,058,368
Restricted For:			
3820 State and Federal Program	4,345,521	--	4,345,521
3850 Debt Service	3,372,088	--	3,372,088
3890 Other Restrictions	546,968	--	546,968
3900 Unrestricted	14,396,633	463,609	14,860,242
3000 Total Net Position	<u>\$ 53,719,578</u>	<u>\$ 463,609</u>	<u>\$ 54,183,187</u>

The accompanying notes are an integral part of this statement.

# WILLIS INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	1  Expenses	3  Charges for Services	4  Program Revenues Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 34,695,222	\$ 3,990	\$ 5,537,594
12	Instructional Resources and Media Services	626,293	--	226,576
13	Curriculum and Staff Development	1,603,669	--	553,301
21	Instructional Leadership	209,601	--	123,949
23	School Leadership	4,268,077	--	400,700
31	Guidance, Counseling, and Evaluation Services	2,126,491	--	326,801
32	Social Work Services	174,022	--	11,852
33	Health Services	737,588	--	376,543
34	Student Transportation	3,756,886	--	228,128
35	Food Service	4,536,156	1,076,377	3,323,755
36	Cocurricular/Extracurricular Activities	3,171,891	1,017,155	64,320
41	General Administration	1,821,522	--	126,301
51	Facilities Maintenance and Operations	6,675,590	10,470	416,381
52	Security and Monitoring Services	547,737	--	946
53	Data Processing Services	429,989	--	13,967
61	Community Services	55,502	--	44,097
72	Interest on Long-term Debt	6,348,425	--	--
93	Payments Related to Shared Services Arrangements	9,042	--	9,815
99	Other Intergovernmental Charges	387,607	--	--
TG	Total Governmental Activities	<u>72,181,310</u>	<u>2,107,992</u>	<u>11,785,026</u>
	Business-type Activities:			
01	Early Bird Child Care	45,349	95,298	--
TB	Total Business-type Activities	<u>45,349</u>	<u>95,298</u>	<u>--</u>
TP	Total Primary Government	<u>\$ 72,226,659</u>	<u>\$ 2,203,290</u>	<u>\$ 11,785,026</u>
	General Revenues:			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
IE	Investment Earnings			
GC	Grants and Contributions Not Restricted to Specific Programs			
MI	Miscellaneous			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (29,153,638)	\$ --	\$ (29,153,638)
(399,717)	--	(399,717)
(1,050,368)	--	(1,050,368)
(85,652)	--	(85,652)
(3,867,377)	--	(3,867,377)
(1,799,690)	--	(1,799,690)
(162,170)	--	(162,170)
(361,045)	--	(361,045)
(3,528,758)	--	(3,528,758)
(136,024)	--	(136,024)
(2,090,416)	--	(2,090,416)
(1,695,221)	--	(1,695,221)
(6,248,739)	--	(6,248,739)
(546,791)	--	(546,791)
(416,022)	--	(416,022)
(11,405)	--	(11,405)
(6,348,425)	--	(6,348,425)
773	--	773
(387,607)	--	(387,607)
(58,288,292)	--	(58,288,292)
--	49,949	49,949
--	49,949	49,949
(58,288,292)	49,949	(58,238,343)
31,906,486	--	31,906,486
10,745,771	--	10,745,771
1,108,243	--	1,108,243
24,471,153	--	24,471,153
343,844	--	343,844
68,575,497	--	68,575,497
10,287,205	49,949	10,337,154
43,432,373	413,660	43,846,033
\$ 53,719,578	\$ 463,609	\$ 54,183,187

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

AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service
<b>ASSETS:</b>		
1110 Cash and Cash Equivalents	\$ 33,286	\$ 9,577
1120 Current Investments	35,217,319	256,852
1220 Property Taxes Receivable	1,451,365	480,153
1230 Allowance for Uncollectible Taxes	(411,932)	(132,555)
1240 Due from Other Governments	--	--
1260 Due from Other Funds	806,382	3,050,923
1290 Other Receivables	137,931	54,735
1300 Inventories	2,799	--
1410 Prepaid Items	1,083	--
1000 Total Assets	<u>37,238,233</u>	<u>3,719,685</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 Accounts Payable	\$ 1,045,673	\$ --
2150 Payroll Deductions & Withholdings	118,109	--
2160 Accrued Wages Payable	2,862,544	--
2170 Due to Other Funds	6,156,558	--
2200 Accrued Expenditures	103,710	--
2300 Unearned Revenue	841,485	--
2000 Total Liabilities	<u>11,128,079</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
2600 Unavailable Revenue - Property Taxes	<u>1,039,432</u>	<u>347,597</u>
2600 Total Deferred Inflows of Resources	<u>1,039,432</u>	<u>347,597</u>
<b>FUND BALANCES:</b>		
Nonspendable Fund Balances:		
3410 Inventories and Prepaids	3,882	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3470 Capital Acquisitions & Contractual Obligations	--	--
3480 Debt Service	--	3,372,088
3490 Other Restrictions of Fund Balance	--	--
Committed Fund Balances:		
3510 Construction	11,850,000	--
3530 Capital Expenditures for Equipment	5,350,000	--
3600 Unassigned	<u>7,866,840</u>	<u>--</u>
3000 Total Fund Balances	<u>25,070,722</u>	<u>3,372,088</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 37,238,233</u>	<u>\$ 3,719,685</u>

The accompanying notes are an integral part of this statement.

60		98
Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 6,520	\$ 1,032,190	\$ 1,081,573
93,948,313	908,178	130,330,662
--	--	1,931,518
--	--	(544,487)
--	138,519	138,519
--	3,275,999	7,133,304
--	--	192,666
--	--	2,799
--	148,502	149,585
<u>93,954,833</u>	<u>5,503,388</u>	<u>140,416,139</u>
\$ 104,293	\$ 172,527	\$ 1,322,493
--	--	118,109
--	151,464	3,014,008
--	224,379	6,380,937
--	60,496	164,206
--	2,033	843,518
<u>104,293</u>	<u>610,899</u>	<u>11,843,271</u>
--	--	1,387,029
--	--	1,387,029
--	--	3,882
--	4,345,521	4,345,521
93,850,540	--	93,850,540
--	--	3,372,088
--	546,968	546,968
--	--	11,850,000
--	--	5,350,000
--	--	7,866,840
<u>93,850,540</u>	<u>4,892,489</u>	<u>127,185,839</u>
\$ <u>93,954,833</u>	\$ <u>5,503,388</u>	\$ <u>140,416,139</u>

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**WILLIS INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2017

Total fund balances - governmental funds balance sheet \$ 127,185,839

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.	103,319,853
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,387,031
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	1,705,534
Payables for bond principal which are not due in the current period are not reported in the funds.	(170,604,413)
Payables for bond interest which are not due in the current period are not reported in the funds.	(439,375)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(13,678,697)
Deferred inflows of resources related to pensions are not reported in the funds.	(788,730)
Deferred outflows of resources related to pensions are not reported in the funds.	5,632,540
Rounding difference	(4)

Net position of governmental activities - Statement of Net Position \$ 53,719,578

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, 2017

Data Control Codes		10  General Fund	50  Debt Service
<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ 32,514,298	\$ 10,726,200
5800	State Program Revenues	26,712,229	246,792
5900	Federal Program Revenues	63,616	--
5020	Total Revenues	<u>59,290,143</u>	<u>10,972,992</u>
<b>EXPENDITURES:</b>			
Current:			
0011	Instruction	30,512,597	--
0012	Instructional Resources and Media Services	297,916	--
0013	Curriculum and Staff Development	1,142,979	--
0021	Instructional Leadership	157,121	--
0023	School Leadership	3,738,745	--
0031	Guidance, Counseling, and Evaluation Services	1,912,345	--
0032	Social Work Services	165,017	--
0033	Health Services	583,052	--
0034	Student Transportation	3,623,277	--
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	1,488,997	--
0041	General Administration	1,753,068	--
0051	Facilities Maintenance and Operations	6,815,695	--
0052	Security and Monitoring Services	524,767	--
0053	Data Processing Services	390,753	--
0061	Community Services	--	--
0071	Principal on Long-term Debt	--	5,764,884
0072	Interest on Long-term Debt	--	7,555,388
0073	Bond Issuance Costs and Fees	--	17,456
0081	Capital Outlay	6,308,067	--
0093	Payments to Shared Services Arrangements	--	--
0099	Other Intergovernmental Charges	387,607	--
6030	Total Expenditures	<u>59,802,003</u>	<u>13,337,728</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>(511,860)</u>	<u>(2,364,736)</u>
Other Financing Sources and (Uses):			
7911	Capital-Related Debt Issued (Regular Bonds)	--	1,890,000
7916	Premium or Discount on Issuance of Bonds	--	915,922
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>2,805,922</u>
1200	Net Change in Fund Balances	<u>(511,860)</u>	<u>441,186</u>
0100	Fund Balances - Beginning	25,582,582	2,930,902
3000	Fund Balances - Ending	\$ 25,070,722	\$ 3,372,088

The accompanying notes are an integral part of this statement.

60		98
Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 707,434	\$ 2,083,486	\$ 46,031,418
--	250,450	27,209,471
--	6,659,885	6,723,501
<u>707,434</u>	<u>8,993,821</u>	<u>79,964,390</u>
--	2,393,125	32,905,722
--	194,624	492,540
--	386,694	1,529,673
--	41,860	198,981
--	40,109	3,778,854
--	117,610	2,029,955
--	5,862	170,879
--	120,237	703,289
--	--	3,623,277
--	4,078,603	4,078,603
--	825,069	2,314,066
--	--	1,753,068
--	120,000	6,935,695
--	--	524,767
--	--	390,753
--	49,625	49,625
--	--	5,764,884
--	--	7,555,388
355,661	--	373,117
13,604,871	--	19,912,938
--	9,042	9,042
--	--	387,607
<u>13,960,532</u>	<u>8,382,460</u>	<u>95,482,723</u>
<u>(13,253,098)</u>	<u>611,361</u>	<u>(15,518,333)</u>
37,995,000	--	39,885,000
1,860,661	--	2,776,583
<u>39,855,661</u>	<u>--</u>	<u>42,661,583</u>
26,602,563	611,361	27,143,250
67,247,977	4,281,128	100,042,589
<u>\$ 93,850,540</u>	<u>\$ 4,892,489</u>	<u>\$ 127,185,839</u>

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**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, 2017

Net change in fund balances - total governmental funds	\$ 27,143,249
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	21,077,217
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,879,953)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	180,970
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	5,744,507
(Increase) decrease in accrued interest from beginning of period to end of period.	544,960
The net revenue (expense) of internal service funds is reported with governmental activities.	1,159,732
Increase (decrease) in amortization of deferred loss from beginning of period to end of period.	429,736
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(39,885,000)
Bond premiums are reported in the funds, but not in the SOA.	(2,150,823)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resources.	2,323,205
The District's share of the unrecognized deferred inflows and outflows related to pensions was amortized.	<u>(2,400,595)</u>
Change in net position of governmental activities - Statement of Activities	\$ <u>10,287,205</u>

The accompanying notes are an integral part of this statement.

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**WILLIS INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

## PROPRIETARY FUNDS

AUGUST 31, 2017

Data Control Codes		Nonmajor Enterprise Fund Early Bird Child Care	Internal Service Funds
<b>ASSETS:</b>			
Current Assets:			
1110	Cash and Cash Equivalents	\$ 464,005	\$ 827,586
1120	Investments	--	1,394,517
Receivables:			
1260	Due from Other Funds	--	34,116
1290	Other Receivables (net)	--	234,962
1000	Total Assets	<u>464,005</u>	<u>2,491,181</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	Accounts Payable	\$ --	\$ 164,849
2160	Accrued Wages Payable	394	--
2170	Due to Other Funds	--	620,798
2200	Accrued Expenses	<u>2</u>	<u>--</u>
2000	Total Liabilities	<u>396</u>	<u>785,647</u>
<b>NET POSITION:</b>			
3800	Restricted	<u>463,609</u>	<u>1,705,534</u>
3000	Total Net Position	<u>\$ 463,609</u>	<u>\$ 1,705,534</u>

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, 2017**

Data Control Codes		Nonmajor Enterprise Fund Early Bird Child Care	Internal Service Funds
	<b>OPERATING REVENUES:</b>		
5700	Local and Intermediate Sources	\$ 95,298	\$ 6,932,081
5020	Total Revenues	<u>95,298</u>	<u>6,932,081</u>
	<b>OPERATING EXPENSES:</b>		
6100	Payroll Costs	39,114	--
6200	Professional and Contracted Services	--	5,758,432
6300	Supplies and Materials	790	13,917
6400	Other Operating Costs	<u>5,445</u>	<u>--</u>
6030	Total Expenses	<u>45,349</u>	<u>5,772,349</u>
	Income (Loss) before Contributions and Transfers	49,949	1,159,732
7915	Transfers In	--	250,000
8911	Transfers Out	<u>--</u>	<u>(250,000)</u>
1300	Change in Net Position	49,949	1,159,732
0100	Total Net Position - Beginning	413,660	545,802
3300	Total Net Position - Ending	<u>\$ 463,609</u>	<u>\$ 1,705,534</u>

The accompanying notes are an integral part of this statement.

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**WILLIS INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2017

	Enterprise Funds	Internal Service Funds
	Early Bird Child Care	
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 95,298	\$ 6,932,081
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	414,079	669,991
Cash Payments to Employees for Services	(39,139)	(5,758,432)
Cash Payments to Other Suppliers for Goods and Services	(6,233)	298,952
Net Cash Provided (Used) by Operating Activities	<u>464,005</u>	<u>2,142,592</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Investment Securities	--	(1,321,449)
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>(1,321,449)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	464,005	821,143
Cash and Cash Equivalents at Beginning of Year	--	6,443
Cash and Cash Equivalents at End of Year	<u>\$ 464,005</u>	<u>\$ 827,586</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 49,949	\$ 1,159,732
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	--	250,000
Increase (Decrease) in Accounts Payable	--	62,869
Increase (Decrease) in Accrued Wages Payable	(25)	--
Increase (Decrease) in Interfund Payables	414,079	669,991
Increase (Decrease) in Accrued Expenses	2	--
Total Adjustments	<u>414,056</u>	<u>982,860</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 464,005</u>	<u>\$ 2,142,592</u>

The accompanying notes are an integral part of this statement.

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**WILLIS INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

AUGUST 31, 2017

Data Control Codes		Agency Funds
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 104,119
1120	Current Investments	6,490
1410	Prepaid Items	54
1000	Total Assets	<u>\$ 110,663</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2190	Due to Student Groups	\$ 110,663
2000	Total Liabilities	<u>110,663</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, 2017**

**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, 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**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**Debt Service Fund:** This fund is used to account for tax revenues and for the repayment of principal, interest, and 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 of its related debt obligations have been met.

**Capital Projects Fund:** This fund is used to account for revenues and expenses related to projects financed by proceeds of bond issues or for capital projects otherwise mandated to be accounted for in this fund. This fund is not 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.

**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, Basis of Accounting**

**Government-wide, Proprietary, and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements 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.

**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.



## **WILLIS INDEPENDENT SCHOOL DISTRICT**

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

**FOR THE YEAR ENDED AUGUST 31, 2017**

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 their acquisition value at the date of the donation. The cost 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.

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

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

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

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 element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has five 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, for the changes in actuarial assumptions, and for changes in proportion and difference between the employer's contributions and the proportionate share of contribution related to the defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. Deferred outflows of resources are also 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. A deferred charge has been recognized for employer pension 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.

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 four items that qualify for reporting in this category in the government-wide Statement of Net Pension. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience, for the changes in actuarial assumptions, and for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

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 of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees 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 of Trustees. 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 of Trustees or by an official or body to which the Board of Trustees 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.

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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

I. 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 Revenue

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

4. Pensions

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

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

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
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**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, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,696,324 and the bank balance was \$3,574,340. The District's cash deposits at August 31, 2017 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 did not adhere to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

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

The District's investments at August 31, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexSTAR Investment Pool	N/A	4,364,661
Lone Star Investment Pool	N/A	122,797,506
TexPool Investment Pool	N/A	4,467,379
Total Investments		<u>\$ 127,264,885</u>

**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.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

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.

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.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**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 service, 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 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 is operated in a manner consistent with the 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.

**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, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both Lone Star members and non-members. 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.

**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 Portfolios. The Board members review the investment policy and management fee structure. TexPool is rated 'AAAm' by Standard & Poor's and operates in a manner consistent with the 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

FOR THE YEAR ENDED AUGUST 31, 2017

### D. Capital Assets

Capital asset activity for the year ended August 31, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 3,678,425	\$ --	\$ --	\$ 3,678,425
Construction in progress	6,329,562	7,963,304	(5,272,809)	9,020,057
Total capital assets not being depreciated	10,007,987	7,963,304	(5,272,809)	12,698,482
Capital assets being depreciated:				
Buildings and improvements	114,814,389	17,658,511	--	132,472,900
Equipment	2,881,945	230,408	--	3,112,353
Vehicles	9,347,900	497,803	--	9,845,703
Total capital assets being depreciated	127,044,234	18,386,722	--	145,430,956
Less accumulated depreciation for:				
Buildings and improvements	(43,537,265)	(3,221,080)	--	(46,758,345)
Equipment	(1,418,523)	(79,798)	--	(1,498,321)
Vehicles	(5,973,844)	(579,075)	--	(6,552,919)
Total accumulated depreciation	(50,929,632)	(3,879,953)	--	(54,809,585)
Total capital assets being depreciated, net	76,114,602	14,506,769	--	90,621,371
Governmental activities capital assets, net	\$ 86,122,589	\$ 22,470,073	\$ (5,272,809)	\$ 103,319,853

Depreciation was charged to functions as follows:

Instruction	\$ 1,664,480
Instructional Resources and Media Services	102,099
School Leadership	347,239
Guidance, Counseling, and Evaluation Services	7,418
Health Services	10,745
Student Transportation	563,472
Food Services	144,388
Extracurricular Activities	845,133
General Administration	6,577
Plant Maintenance and Operations	131,714
Security and Monitoring Services	22,970
Data Processing Services	33,718
	<u>\$ 3,879,953</u>



**WILLIS INDEPENDENT SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2017

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2017 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service Fund	General Fund	\$ 3,050,923	Short-term loans
Special Revenue Fund	General Fund	3,275,998	Short-term loans
General Fund	Insurance Fund	620,798	Short-term loans
General Fund	Payroll Fund	183,317	Short-term loans
Special Revenue Fund	Public Entity Risk Pool	34,116	Short-term loans
Payroll Fund	General Fund	17,631	Short-term loans
General Fund	Special Revenue Fund	2,267	Short-term loans
	Total	<u>\$ 7,185,050</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, 2017 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Public Entity Risk Pool	Health Insurance	\$ 250,000	Supplement other funds sources
	Total	<u>\$ 250,000</u>	

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**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, 2017 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	\$ 3,290,074	\$ --	\$ (1,002,307)	\$ 2,287,767	\$ 1,001,065
Series 2001 Bonds	432,200	--	(432,200)	--	--
Series 2007 Bonds	720,000	--	(720,000)	--	--
Series 2008 Bonds	2,635,000	--	(2,635,000)	--	--
Series 2008A Bonds	65,000	--	(35,000)	30,000	30,000
Series 2010 Bonds	10,510,000	--	(525,000)	9,985,000	535,000
Series 2012 Bonds	5,705,000	--	(40,000)	5,665,000	40,000
Series 2015 Bonds	24,885,000	--	(355,000)	24,530,000	1,425,000
Series 2016 Bonds	71,090,000	--	--	71,090,000	--
Series 2017 Bonds	--	39,885,000	--	39,885,000	650,000
	<u>119,332,274</u>	<u>39,885,000</u>	<u>(5,744,507)</u>	<u>153,472,767</u>	<u>3,681,065</u>
<b>Other liabilities:</b>					
Issuance Premiums	10,488,435	2,776,583	(625,760)	12,639,258	*
Net Pension Liability	13,395,838	1,551,595	(1,268,736)	13,678,697	--
Total governmental activities	<u>\$ 143,216,547</u>	<u>\$ 44,213,178</u>	<u>\$ (7,639,003)</u>	<u>\$ 179,790,722</u>	<u>\$ 3,681,065</u>
Long-term liabilities due in more than one year				<u>\$ 176,109,657</u>	
*Debt associated with capital assets				<u>\$ 166,112,025</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 and the interest rate on the bonds ranged from 2.0 percent to 5.0 percent. Interest expense was \$7,555,388 for the year ended August 31, 2017.

The District issued \$39,885,000 in unlimited tax school building and refunding bonds, series 2017 to provide resources for school building and for the advanced refunding of outstanding long-term debt issued in unlimited tax school building and refunding bonds, series 2008.

## **WILLIS INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017**

#### **2. Debt Service Requirements**

Debt service requirements on long-term debt at August 31, 2017 are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 3,681,065	\$ 6,410,779	\$ 10,091,844
2019	3,978,720	6,098,443	10,077,163
2020	4,068,994	6,016,505	10,085,499
2021	4,131,693	5,958,656	10,090,349
2022	4,232,295	5,863,555	10,095,850
2023-2027	29,305,000	16,891,587	46,196,587
2028-2032	28,120,000	11,809,412	39,929,412
2033-2037	24,765,000	8,399,650	33,164,650
2038-2042	30,055,000	4,633,000	34,688,000
2043-2047	21,135,000	869,900	22,004,900
Totals	<u>\$ 153,472,767</u>	<u>\$ 72,951,487</u>	<u>\$ 226,424,254</u>

#### **3. Current Refunding of Debt**

The District issued \$39,885,000 of Unlimited Tax School Building and Refunding Bonds, Series 2017, which is a current refunding in the amount of \$2,020,000 of Unlimited Tax School Building and Refunding Bonds, Series 2008. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$20,376. This amount is being netted against the new debt and amortized over the remaining life of the new debt. The current refunding also resulted in an economic gain of \$189,968 and a reduction of \$227,843 in future debt payments.

#### **G. Commitments Under Noncapitalized Leases**

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

Rental Expenditures in 2017	\$ <u>179,455</u>
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#### **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 2017, 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 the Teacher Retirement System of Texas (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.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**2. Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

There are no automatic post-employment benefit changes, including automatic cost of living adjustments (COLAs). Ad hoc post-employment 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><u>2016</u></b>	<b><u>2017</u></b>
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 1,150,103	
District's 2017 Member Contributions	\$ 1,065,550	
NECE 2017 On-Behalf Contributions to District	\$ 1,886,014	

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

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

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

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

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- 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, 2016 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
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 Post-Employment 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

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 non-employer contributing entity 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, 2016 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, 2016</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>

\* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

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	\$ 21,170,014	\$ 13,678,697	\$ 7,324,545

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

At August 31, 2017, the District reported a liability of \$13,678,697 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	\$ 13,678,697
State's proportionate share that is associated with District	<u>22,386,698</u>
Total	<u>\$ 36,065,395</u>

The net pension liability was measured as of August 31, 2016 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, 2015 through August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.036198%, which was a decrease of 0.0016983% from its proportion measured as of August 31, 2015.

**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, 2017, the District recognized pension expense of \$2,323,205 and revenue of \$2,323,205 for support provided by the State.

# WILLIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

At August 31, 2017, 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	\$ 214,479	\$ 408,438
Changes in actuarial assumptions	416,902	379,155
Difference between projected and actual investment earnings	1,158,284	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,564,602	1,137
Contributions paid to TRS subsequent to the measurement date	<u>1,278,273</u>	<u>--</u>
Total	<u>\$ 5,632,540</u>	<u>\$ 788,730</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
2018	\$ 629,674
2019	629,674
2020	1,368,483
2021	572,906
2022	347,032
Thereafter	<u>17,768</u>
Total	<u>\$ 3,565,537</u>

### J. Retiree Health Care Plans

#### 1. TRS-Care

##### a. Plan Description

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



**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2017, 2016, and 2015. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016, and 2015. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$19,706, \$19,234, and \$18,632, respectively; the active member contributions were \$242,594, \$232,610, and \$226,464, respectively; and the District's contributions were \$205,272, \$196,824, and \$191,624, respectively; which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$120,061, \$143,169, and \$145,604, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2017, 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, 2017, and terms of coverage and premium costs are included in the contractual provisions.

L. Unemployment Compensation Pool

During the year ended August 31, 2017, 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 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, 2017, the Fund anticipates that the District has no additional liability beyond the 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, 2016 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, 2017**

**M. Workers' Compensation**

During the year ended August 31, 2017, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperative Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2016, the Fund carries a discounted reserve of \$51,843,324 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2017, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**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, 2017.

**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. The fiscal agent is responsible for part of the financial activities of the SSA.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

The District participates in an SSA to be used to improve student academic achievement through the use of technology in elementary and secondary schools. The SSA is funded under ESEA, Title II, Part D - Enhancing Education Through Technology. 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. The fiscal agent is responsible for part of the financial activities of the SSA.

The District participates in an SSA to be used to develop age-appropriate comprehensive violence and drug/alcohol education prevention programs. The SSA is funded under ESEA, Title IV - Safe and Drug-Free School and Communities Act. 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. The fiscal agent is responsible for part of the financial activities of the SSA.

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 \$5,025 as expenditures incurred on behalf of the District.

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### *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, 2017

**EXHIBIT G-1**

Page 1 of 2

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts			Final Budget
		Original	Final	Actual	Positive (Negative)
REVENUES:					
5700	Local and Intermediate Sources	\$ 31,442,486	\$ 31,469,139	\$ 32,514,298	\$ 1,045,159
5800	State Program Revenues	26,056,520	26,056,520	26,712,229	655,709
5900	Federal Program Revenues	61,301	61,301	63,616	2,315
5020	Total Revenues	57,560,307	57,586,960	59,290,143	1,703,183
EXPENDITURES:					
Current:					
	Instruction & Instructional Related Services:				
0011	Instruction	32,237,166	32,263,820	30,512,597	1,751,223
0012	Instructional Resources and Media Services	334,880	364,880	297,916	66,964
0013	Curriculum and Staff Development	1,243,586	1,243,585	1,142,979	100,606
	Total Instruction & Instr. Related Services	33,815,632	33,872,285	31,953,492	1,918,793
	Instructional and School Leadership:				
0021	Instructional Leadership	177,475	177,475	157,121	20,354
0023	School Leadership	3,662,012	3,887,012	3,738,745	148,267
	Total Instructional & School Leadership	3,839,487	4,064,487	3,895,866	168,621
	Support Services - Student (Pupil):				
0031	Guidance, Counseling, and Evaluation Services	2,002,520	2,002,520	1,912,345	90,175
0032	Social Work Services	216,026	216,026	165,017	51,009
0033	Health Services	593,979	613,979	583,052	30,927
0034	Student (Pupil) Transportation	3,969,913	3,969,913	3,623,277	346,636
0036	Cocurricular/Extracurricular Activities	1,571,433	1,571,433	1,488,997	82,436
	Total Support Services - Student (Pupil)	8,353,871	8,373,871	7,772,688	601,183
	Administrative Support Services:				
0041	General Administration	1,991,341	1,991,341	1,753,068	238,273
	Total Administrative Support Services	1,991,341	1,991,341	1,753,068	238,273
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	8,019,704	7,619,370	6,815,695	803,675
0052	Security and Monitoring Services	649,282	649,282	524,767	124,515
0053	Data Processing Services	410,990	425,990	390,753	35,237
	Total Support Services - Nonstudent Based	9,079,976	8,694,642	7,731,215	963,427
	Capital Outlay:				
0081	Capital Outlay	--	6,418,302	6,308,067	110,235
	Total Capital Outlay	--	6,418,302	6,308,067	110,235
	Intergovernmental Charges:				
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	--	25,000	--	25,000
0099	Other Intergovernmental Charges	480,000	455,000	387,607	67,393
	Total Intergovernmental Charges	480,000	480,000	387,607	92,393
6030	Total Expenditures	57,560,307	63,894,928	59,802,003	4,092,925

**WILLIS INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2017

**EXHIBIT G-1**

Page 2 of 2

		1	2	3	Variance with Final Budget
Data Control Codes		Budgeted Amounts			Positive
		Original	Final	Actual	(Negative)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(6,307,968)	(511,860)	5,796,108
1200	Net Change in Fund Balance	--	(6,307,968)	(511,860)	5,796,108
0100	Fund Balance - Beginning	25,582,582	25,582,582	25,582,582	--
3000	Fund Balance - Ending	\$ 25,582,582	\$ 19,274,614	\$ 25,070,722	\$ 5,796,108

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, 2017

	Measurement Year*		
	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0361980%	0.0378963%	0.0244667%
District's proportionate share of the net pension liability (asset)	\$ 13,678,697	\$ 13,395,838	\$ 6,535,394
State's proportionate share of the net pension liability (asset) associated with the District	22,386,698	21,163,850	18,665,631
Total	<u>\$ 36,065,395</u>	<u>\$ 34,559,688</u>	<u>\$ 25,201,025</u>
District's covered employee payroll**	\$ 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	36.65%	37.43%	18.76%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

\*\* As of the measurement date.

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

There were no changes of 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, 2017

	Fiscal Year				
	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,278,273	\$ 1,150,103	\$ 897,108	\$ 620,299	\$ 469,707
Contributions in relation to the contractually required contribution	1,278,273	1,150,103	897,108	620,299	469,707
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered employee payroll	\$ 39,972,432	\$ 37,322,171	\$ 35,786,146	\$ 34,840,688	\$ 33,203,801
Contributions as a percentage of covered employee payroll	3.20%	3.08%	2.51%	1.78%	1.41%

**EXHIBIT G-3**

Fiscal Year				
2012	2011	2010	2009	2008
\$ 392,991	\$ 412,361	\$ 377,142	\$ 310,957	\$ 272,650
392,991	412,361	377,142	310,957	272,650
\$ --	\$ --	\$ --	\$ --	\$ --
\$ 32,090,718	\$ 33,489,278	\$ 32,895,664	\$ 30,409,722	\$ 27,820,907
1.22%	1.23%	1.15%	1.02%	0.98%

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*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, 2017

Data Control Codes		211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	224 IDEA-B Formula
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ 81,585
1120	Current Investments	--	--	--
1240	Due from Other Governments	--	--	--
1260	Due from Other Funds	--	--	--
1410	Unrealized Expenditures	122,271	--	--
1000	Total Assets	<u>122,271</u>	<u>--</u>	<u>81,585</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 1,895	\$ --	\$ 8,166
2160	Accrued Wages Payable	--	--	23,727
2170	Due to Other Funds	120,078	--	--
2200	Accrued Expenditures	298	--	49,009
2300	Unearned Revenue	--	--	683
2000	Total Liabilities	<u>122,271</u>	<u>--</u>	<u>81,585</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>
4000	Total Liabilities and Fund Balances	<u>\$ 122,271</u>	<u>\$ --</u>	<u>\$ 81,585</u>

225	226	240	255	263	272
IDEA-B Preschool Grant	IDEA-B Discretionary	National School Breakfast/Lunch Program	ESEA Title II Training & Recruiting	English Language Acquisition and Enhancement	MAC Program
\$ --	\$ --	\$ 50,343	\$ --	\$ 18,426	\$ 46,324
--	--	908,178	--	--	--
--	--	91,412	4,921	674	--
--	--	154,427	--	--	--
133	--	--	21,728	2,970	--
<u>133</u>	<u>--</u>	<u>1,204,360</u>	<u>26,649</u>	<u>22,070</u>	<u>46,324</u>
\$ --	\$ --	\$ 126,425	\$ 819	\$ 17,341	\$ --
90	--	106,047	--	1,726	--
43	--	34,116	25,685	2,970	--
--	--	9,333	145	33	--
--	--	--	--	--	--
<u>133</u>	<u>--</u>	<u>275,921</u>	<u>26,649</u>	<u>22,070</u>	<u>--</u>
--	--	928,439	--	--	46,324
--	--	--	--	--	--
--	--	928,439	--	--	46,324
<u>133</u>	<u>--</u>	<u>1,204,360</u>	<u>26,649</u>	<u>22,070</u>	<u>46,324</u>

# WILLIS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
AUGUST 31, 2017

Data Control Codes		280 Medicaid - SHARs Reimbursement	288 Junior Reserve Officer Training Corp.	289 Summer School LEP
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 261,467	\$ 136	\$ 11,905
1120	Current Investments	--	--	--
1240	Due from Other Governments	--	--	--
1260	Due from Other Funds	3,121,572	--	--
1410	Unrealized Expenditures	--	--	--
1000	Total Assets	<u>3,383,039</u>	<u>136</u>	<u>11,905</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 2,795	\$ --	\$ --
2160	Accrued Wages Payable	19,808	--	41
2170	Due to Other Funds	--	--	--
2200	Accrued Expenditures	1,678	--	--
2300	Unearned Revenue	--	--	--
2000	Total Liabilities	<u>24,281</u>	<u>--</u>	<u>41</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	3,358,758	136	11,864
3490	Other Restrictions of Fund Balance	--	--	--
3000	Total Fund Balances	<u>3,358,758</u>	<u>136</u>	<u>11,864</u>
4000	Total Liabilities and Fund Balances	<u>\$ 3,383,039</u>	<u>\$ 136</u>	<u>\$ 11,905</u>



331 Career and Technical Basic	385 Supplemental Visually Impaired	392 Non-Educational Community-Based Support	393 Texas Successful Schools	397 Advanced Placement Incentives	410 State Textbook
\$ --	\$ 270	\$ --	\$ 725	\$ 1,652	\$ 5,691
--	--	--	--	--	--
9,042	--	3,450	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>9,042</u>	<u>270</u>	<u>3,450</u>	<u>725</u>	<u>1,652</u>	<u>5,691</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ 5,634
--	--	--	--	--	--
9,042	--	3,450	--	--	--
--	--	--	--	--	--
--	--	--	--	1,350	--
<u>9,042</u>	<u>--</u>	<u>3,450</u>	<u>--</u>	<u>1,350</u>	<u>5,634</u>
--	--	--	--	--	--
--	270	--	725	302	57
--	<u>270</u>	--	<u>725</u>	<u>302</u>	<u>57</u>
\$ <u>9,042</u>	\$ <u>270</u>	\$ <u>3,450</u>	\$ <u>725</u>	\$ <u>1,652</u>	\$ <u>5,691</u>

# WILLIS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
AUGUST 31, 2017

Data Control Codes		423 LEP Student Success Initiative	429 Read To Succeed	461 Campus Activity
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 230	\$ 2,334	\$ 551,102
1120	Current Investments	--	--	--
1240	Due from Other Governments	--	--	--
1260	Due from Other Funds	--	--	--
1410	Unrealized Expenditures	--	1,400	--
1000	Total Assets	<u>230</u>	<u>3,734</u>	<u>551,102</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ 9,452
2160	Accrued Wages Payable	--	--	--
2170	Due to Other Funds	--	--	--
2200	Accrued Expenditures	--	--	--
2300	Unearned Revenue	--	--	--
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>9,452</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	--
3490	Other Restrictions of Fund Balance	230	3,734	541,650
3000	Total Fund Balances	<u>230</u>	<u>3,734</u>	<u>541,650</u>
4000	Total Liabilities and Fund Balances	<u>\$ 230</u>	<u>\$ 3,734</u>	<u>\$ 551,102</u>

**EXHIBIT H-1****Page 3 OF 3**

499 Scholastic Clay Target Program Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ --	\$ 1,032,190
--	908,178
29,020	138,519
--	3,275,999
--	148,502
<u>29,020</u>	<u>5,503,388</u>
\$ --	\$ 172,527
25	151,464
28,995	224,379
--	60,496
--	2,033
<u>29,020</u>	<u>610,899</u>
--	4,345,521
--	546,968
--	4,892,489
<u>\$ 29,020</u>	<u>\$ 5,503,388</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, 2017

Data Control Codes	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	224 IDEA-B Formula
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --
5800 State Program Revenues	--	--	--
5900 Federal Program Revenues	1,204,906	--	1,150,519
5020 Total Revenues	1,204,906	--	1,150,519
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	809,627	--	987,268
0012 Instructional Resources and Media Services	182,868	--	--
0013 Curriculum and Staff Development	179,680	--	1,300
0021 Instructional Leadership	--	--	30,017
0023 School Leadership	13,114	--	--
0031 Guidance, Counseling, and Evaluation Services	--	--	114,110
0032 Social Work Services	--	--	--
0033 Health Services	--	--	--
0035 Food Service	--	--	--
0036 Cocurricular/Extracurricular Activities	--	--	--
0051 Facilities Maintenance and Operations	--	--	--
0061 Community Services	19,617	--	17,824
0093 Payments to Shared Services Arrangements	--	--	--
6030 Total Expenditures	1,204,906	--	1,150,519
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100 Expenditures	--	--	--
1200 Net Change in Fund Balances	--	--	--
0100 Fund Balances - Beginning	--	--	--
3000 Fund Balances - Ending	\$ --	\$ --	\$ --

**EXHIBIT H-2**

**Page 1 OF 3**

225	226	240	255	263
IDEA-B	IDEA-B	National School	ESEA Title II	English Language
Preschool Grant	Discretionary	Breakfast/Lunch	Training &	Acquisition and
		Program	Recruiting	Enhancement
\$ --	\$ --	\$ 1,105,207	\$ --	\$ --
--	--	21,349	--	--
<u>22,782</u>	<u>47,156</u>	<u>3,088,160</u>	<u>159,015</u>	<u>97,857</u>
<u>22,782</u>	<u>47,156</u>	<u>4,214,716</u>	<u>159,015</u>	<u>97,857</u>
22,782	47,156	--	1,341	90,082
--	--	--	--	--
--	--	--	144,885	7,775
--	--	--	--	--
--	--	--	12,789	--
--	--	--	--	--
--	--	--	--	--
--	--	4,078,603	--	--
--	--	--	--	--
--	--	120,000	--	--
--	--	--	--	--
--	--	--	--	--
<u>22,782</u>	<u>47,156</u>	<u>4,198,603</u>	<u>159,015</u>	<u>97,857</u>
--	--	16,113	--	--
--	--	16,113	--	--
--	--	912,326	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 928,439</u>	<u>\$ --</u>	<u>\$ --</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, 2017

Data Control Codes	272 MAC Program	280 Medicaid - SHARs Reimbursement	288 Junior Reserve Officer Training Corp.
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ --	\$ 48,935	\$ --
5800 State Program Revenues	--	--	--
5900 Federal Program Revenues	14,370	766,222	--
5020 Total Revenues	14,370	815,157	--
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	83,650	43,987	--
0012 Instructional Resources and Media Services	--	--	--
0013 Curriculum and Staff Development	--	10,340	--
0021 Instructional Leadership	--	11,843	--
0023 School Leadership	--	1,725	--
0031 Guidance, Counseling, and Evaluation Services	--	2,664	--
0032 Social Work Services	--	--	--
0033 Health Services	71,328	48,909	--
0035 Food Service	--	--	--
0036 Cocurricular/Extracurricular Activities	--	--	--
0051 Facilities Maintenance and Operations	--	--	--
0061 Community Services	12,184	--	--
0093 Payments to Shared Services Arrangements	--	--	--
6030 Total Expenditures	167,162	119,468	--
1100 Excess (Deficiency) of Revenues Over (Under)	(152,792)	695,689	--
1100 Expenditures	(152,792)	695,689	--
1200 Net Change in Fund Balances	(152,792)	695,689	--
0100 Fund Balances - Beginning	199,116	2,663,069	136
3000 Fund Balances - Ending	\$ 46,324	\$ 3,358,758	\$ 136

289 Summer School LEP	331 Career and Technical Basic	385 Supplemental Visually Impaired	392 Non-Educational Community-Based Support	393 Texas Successful Schools	397 Advanced Placement Incentives
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	5,250	5,825	--	--
7,921	100,977	--	--	--	--
7,921	100,977	5,250	5,825	--	--
--	88,153	5,250	--	--	--
--	--	--	--	--	--
--	3,782	--	--	--	13,290
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	5,825	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	9,042	--	--	--	--
--	100,977	5,250	5,825	--	13,290
7,921	--	--	--	--	(13,290)
7,921	--	--	--	--	(13,290)
3,943	--	270	--	725	13,592
\$ 11,864	\$ --	\$ 270	\$ --	\$ 725	\$ 302

**WILLIS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	410 State Textbook	423 LEP Student Success Initiative	429 Read To Succeed
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --
5800 State Program Revenues	159,835	--	17,850
5900 Federal Program Revenues	--	--	--
5020 Total Revenues	<u>159,835</u>	<u>--</u>	<u>17,850</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	159,485	--	14,301
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	--	--	--
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>159,835</u>	<u>--</u>	<u>14,301</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	3,549
1100 Expenditures	--	--	3,549
1200 Net Change in Fund Balances	--	--	3,549
0100 Fund Balances - Beginning	57	230	185
3000 Fund Balances - Ending	<u>\$ 57</u>	<u>\$ 230</u>	<u>\$ 3,734</u>



**EXHIBIT H-2**  
**Page 3 OF 3**

461 Campus Activity	499 Scholastic Clay Target Program Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 929,344	\$ --	\$ 2,083,486
--	40,341	250,450
--	--	6,659,885
<u>929,344</u>	<u>40,341</u>	<u>8,993,821</u>
37,448	2,595	2,393,125
11,756	--	194,624
900	24,392	386,694
--	--	41,860
--	12,481	40,109
--	836	117,610
--	37	5,862
--	--	120,237
--	--	4,078,603
825,069	--	825,069
--	--	120,000
--	--	49,625
--	--	9,042
<u>875,173</u>	<u>40,341</u>	<u>8,382,460</u>
54,171	--	611,361
<u>54,171</u>	<u>--</u>	<u>611,361</u>
487,479	--	4,281,128
<u>\$ 541,650</u>	<u>\$ --</u>	<u>\$ 4,892,489</u>

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**WILLIS INDEPENDENT SCHOOL DISTRICT**

## COMBINING STATEMENT OF NET POSITION

## INTERNAL SERVICE FUNDS

AUGUST 31, 2017

Data Control Codes	753	755	Total Internal Service Funds (See Exhibit D-1)
	Insurance Fund	Public Entity Risk Pool	
<b>ASSETS:</b>			
Current Assets:			
1110 Cash and Cash Equivalents	\$ 7,578	\$ 820,008	\$ 827,586
1120 Investments	1,394,517	--	1,394,517
Receivables:			
1260 Due from Other Funds	--	34,116	34,116
1290 Other Receivables (net)	234,962	--	234,962
1000 Total Assets	<u>1,637,057</u>	<u>854,124</u>	<u>2,491,181</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 Accounts Payable	\$ 164,849	\$ --	\$ 164,849
2170 Due to Other Funds	620,798	--	620,798
2000 Total Liabilities	<u>785,647</u>	<u>--</u>	<u>785,647</u>
<b>NET POSITION:</b>			
3800 Restricted	851,410	854,124	1,705,534
3000 Total Net Position	<u>\$ 851,410</u>	<u>\$ 854,124</u>	<u>\$ 1,705,534</u>

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**WILLIS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		753  Insurance Fund	755  Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-2)
<b>OPERATING REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 6,857,148	\$ 74,933	\$ 6,932,081
5020	Total Revenues	<u>6,857,148</u>	<u>74,933</u>	<u>6,932,081</u>
<b>OPERATING EXPENSES:</b>				
6200	Professional and Contracted Services	5,520,607	237,825	5,758,432
6300	Supplies and Materials	13,917	--	13,917
6030	Total Expenses	<u>5,534,524</u>	<u>237,825</u>	<u>5,772,349</u>
	Income (Loss) before Contributions and Transfers	1,322,624	(162,892)	1,159,732
7915	Transfers In	250,000	--	250,000
8911	Transfers Out	--	(250,000)	(250,000)
1300	Change in Net Position	<u>1,572,624</u>	<u>(412,892)</u>	<u>1,159,732</u>
0100	Total Net Position - Beginning	(721,214)	1,267,016	545,802
3300	Total Net Position - Ending	<u>\$ 851,410</u>	<u>\$ 854,124</u>	<u>\$ 1,705,534</u>



**WILLIS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF CASH FLOWS  
ALL INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

	753 Insurance Fund	755 Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-3)
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 6,857,148	\$ 74,933	\$ 6,932,081
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	(312,909)	982,900	669,991
Cash Payments to Employees	(5,520,607)	(237,825)	(5,758,432)
Cash Payments to Suppliers for Goods and Services	48,952	250,000	298,952
Net Cash Provided (Used) by Operating Activities	<u>1,072,584</u>	<u>1,070,008</u>	<u>2,142,592</u>
<b>Cash Flows from Non-capital Financing Activities:</b>			
Transfers From (To) Other Funds	250,000	(250,000)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>250,000</u>	<u>(250,000)</u>	<u>--</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of Investment Securities	(1,321,449)	--	(1,321,449)
Net Cash Provided (Used) for Investing Activities	<u>(1,321,449)</u>	<u>--</u>	<u>(1,321,449)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,135	820,008	821,143
Cash and Cash Equivalents at Beginning of Year	6,443	--	6,443
Cash and Cash Equivalents at End of Year	<u>\$ 7,578</u>	<u>\$ 820,008</u>	<u>\$ 827,586</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 1,322,624	\$ (162,892)	\$ 1,159,732
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	--	250,000	250,000
Increase (Decrease) in Accounts Payable	62,869	--	62,869
Increase (Decrease) in Interfund Payables	(312,909)	982,900	669,991
Total Adjustments	<u>(250,040)</u>	<u>1,232,900</u>	<u>982,860</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,072,584</u>	<u>\$ 1,070,008</u>	<u>\$ 2,142,592</u>

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### *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, 2017

Year Ended August 31	1	2	3
	Tax Rates		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2008 and Prior Years	Various	Various	Various
2009	\$ 1.04	\$ .33	\$ 1,893,505,781
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 (School Year Under Audit)	\$ 1.04	\$ .35	\$ 3,045,105,911

1000 Totals

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

EXHIBIT J-1

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 316,175	\$ --	\$ 11,957	\$ 3,845	\$ (20,100)	\$ 280,273
52,387	--	1,619	514	(685)	49,570
56,577	--	2,669	847	(815)	52,246
75,184	--	3,216	1,020	(2,981)	67,966
94,482	--	10,086	3,200	2,626	83,822
110,674	--	14,732	4,674	5,538	96,806
149,026	--	28,273	9,515	8,070	119,308
213,944	--	38,766	13,046	(2,633)	159,499
609,148	--	238,699	80,331	(16,877)	273,241
--	42,326,972	31,108,858	10,469,327	--	748,787
<u>\$ 1,677,599</u>	<u>\$ 42,326,972</u>	<u>\$ 31,458,874</u>	<u>\$ 10,586,321</u>	<u>\$ (27,858)</u>	<u>\$ 1,931,518</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**EXHIBIT J-2**

Data Control Codes	1		2		3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual	
	Original		Final			
REVENUES:						
5700	Local and Intermediate Sources	\$ 1,243,424	\$ 1,243,424	\$ 1,105,207	\$ (138,217)	
5800	State Program Revenues	98,000	98,000	21,349	(76,651)	
5900	Federal Program Revenues	3,119,523	3,119,523	3,088,160	(31,363)	
5020	Total Revenues	4,460,947	4,460,947	4,214,716	(246,231)	
EXPENDITURES:						
Current:						
Support Services - Student (Pupil):						
0035	Food Services	4,340,947	4,340,947	4,078,603	262,344	
	Total Support Services - Student (Pupil)	4,340,947	4,340,947	4,078,603	262,344	
Support Services - Nonstudent Based:						
0051	Plant Maintenance and Operations	120,000	120,000	120,000	--	
	Total Support Services - Nonstudent Based	120,000	120,000	120,000	--	
6030	Total Expenditures	4,460,947	4,460,947	4,198,603	262,344	
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures	--	--	16,113	16,113	
1200	Net Change in Fund Balance	--	--	16,113	16,113	
0100	Fund Balance - Beginning	912,667	912,667	912,326	(341)	
3000	Fund Balance - Ending	\$ 912,667	\$ 912,667	\$ 928,439	\$ 15,772	

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

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1		2		3	Variance with Final Budget
	Budgeted Amounts				Actual	Positive
	Original		Final			(Negative)
REVENUES:						
5700	Local and Intermediate Sources		\$ 10,883,276	\$ 10,883,275	\$ 10,726,200	\$ (157,075)
5800	State Program Revenues		--	--	246,792	246,792
5020	Total Revenues		10,883,276	10,883,275	10,972,992	89,717
EXPENDITURES:						
Debt Service:						
0071	Principal on Long-Term Debt		3,724,508	7,124,508	5,764,884	1,359,624
0072	Interest on Long-Term Debt		7,128,768	7,628,767	7,555,388	73,379
0073	Bond Issuance Costs and Fees		30,000	30,000	17,456	12,544
	Total Debt Service		10,883,276	14,783,275	13,337,728	1,445,547
6030	Total Expenditures		10,883,276	14,783,275	13,337,728	1,445,547
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures		--	(3,900,000)	(2,364,736)	1,535,264
Other Financing Sources (Uses):						
7911	Capital-Related Debt Issued (Regular Bonds)		--	--	1,890,000	1,890,000
7916	Premium or Discount on Issuance of Bonds		--	--	915,922	915,922
7080	Total Other Financing Sources and (Uses)		--	--	2,805,922	2,805,922
1200	Net Change in Fund Balance		--	(3,900,000)	441,186	4,341,186
0100	Fund Balance - Beginning		2,930,902	2,930,902	2,930,902	--
3000	Fund Balance - Ending		\$ 2,930,902	\$ (969,098)	\$ 3,372,088	\$ 4,341,186





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, 2017, 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 12, 2018.

**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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP  
*Certified Public Accountants*  
Houston, Texas  
February 12, 2018



## 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 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, 2017. 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations 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, 2017.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we 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, LLLP

Belt Harris Pechacek, LLLP  
Certified Public Accountants  
Houston, Texas  
February 12, 2018

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**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>
84.010	Title I, Part A - Improving Basic Programs

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

Auditee qualified as low-risk auditee?   X   Yes        No

**B. Financial Statement Findings**

None

**C. Federal Award Findings and Questioned Costs**

None





**WILLIS INDEPENDENT SCHOOL DISTRICT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2017

<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, 2017**

**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	\$ 846,327
National School Lunch Program	10.555	170-904	1,966,372
Total Passed Through State Department of Education			2,812,699
Total U. S. Department of Agriculture			2,812,699
Total Child Nutrition Cluster			2,812,699
<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	275,461
Total Passed Through State Department of Education			275,461
Total U. S. Department of Agriculture			275,461
Total Food Distribution Cluster			275,461
<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	14,370
Total Passed Through State Department of Education			14,370
Total U. S. Department of Health and Human Services			14,370
Total Medicaid Cluster			14,370
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-B Discretionary	84.027	176600061709046000	47,156
IDEA-B Formula	84.027	176600011709046000	1,150,519
Total CFDA Number 84.027			1,197,675
IDEA-B Preschool	84.173	176610011709046000	22,782
Total Passed Through State Department of Education			1,220,457
Total U. S. Department of Education			1,220,457
Total Special Education (IDEA) Cluster			1,220,457
<b>OTHER PROGRAMS:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010	17610101170904	1,204,906
SSA Career and Technical - Basic Grant	84.048	17420006170904	100,977
Title III Part A English Language Acquisition and Language Enhancement	84.365	17671001170904	97,857
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367	17694501170904	159,015
Summer School LEP	84.369	69551602	7,921
Total Passed Through State Department of Education			1,570,676
Total U. S. Department of Education			1,570,676

**WILLIS INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Defense</u>			
Passed Through State Department of Education: ROTC	12.000	170-904	<u>63,616</u>
Total Passed Through State Department of Education			<u>63,616</u>
Total U. S. Department of Defense			<u>63,616</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 \$ <u>5,957,279</u>
		Federal revenue per SEFA	\$ 5,957,279
		SHARs	<u>766,222</u>
		Federal revenue per Exhibit C-2	\$ <u>6,723,501</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, 2017**

#### 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.

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**WILLIS INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2017

<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 Teachers 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 Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 13,678,697

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