

WILLIS INDEPENDENT
SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

(This page intentionally left blank)

Willis Independent School District
Annual Financial Report
For The Year Ended August 31, 2016

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
 INTRODUCTORY SECTION		
Certificate of Board.....	1	
 FINANCIAL SECTION		
Independent Auditors' Report.....	5	
Management's Discussion and Analysis (Required Supplementary Information).....	11	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	21	A-1
Statement of Activities.....	22	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	24	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	27	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	28	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	31	C-3
Statement of Net Position - Proprietary Funds.....	33	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	35	D-2
Statement of Cash Flows - Proprietary Funds.....	37	D-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	39	E-1
Notes to the Financial Statements	41	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	66	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System of Texas (TRS).....	69	G-2
Schedule of District Contributions - Teacher Retirement System of Texas (TRS).....	70	G-3
 <u>Combining Statements as Supplementary Information:</u>		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	74	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds.....	80	H-2

Willis Independent School District
Annual Financial Report
For The Year Ended August 31, 2016

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Internal Service Funds:		
Combining Statement of Net Position.....	87	H-3
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	89	H-4
Combining Statement of Cash Flows.....	91	H-5
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	94	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	97	J-2
Debt Service Fund.....	99	J-3
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	101	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	103	
Schedule of Findings and Questioned Costs	105	
Summary Schedule of Prior Audit Findings.....	107	
Schedule of Expenditures of Federal Awards	109	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	111	
Schedule of Required Responses to Selected School First Indicators.....	113	L-2

Introductory Section

(This page intentionally left blank)

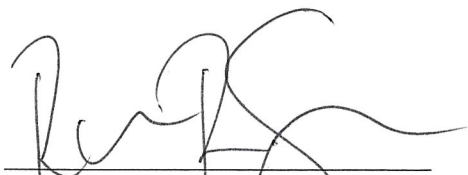
CERTIFICATE OF BOARD

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, 2016, at a meeting of the board of trustees of such school district on the 14th day of December, 2016.



Signature of Board Secretary



Signature of Board President
vice-pres

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

(This page intentionally left blank)

Financial Section

(This page intentionally left blank)



Independent Auditors' Report

To the Board of Trustees of the
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 the Willis Independent School District (the "District") as of and for the year ended August 31, 2016, 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.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

P.O. Box 826
Bellville, TX 77418
713.263.1123

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



Governmental
Audit Quality Center



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 Willis Independent School District as of August 31, 2016, 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 on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Willis Independent School District' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016 on our consideration of Willis Independent School District' 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 Willis Independent School District' internal control over financial reporting and compliance.

Respectfully submitted,

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
October 31, 2016

(This page intentionally left blank)

Management's Discussion & Analysis (MD&A)

(This page intentionally left blank)

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2016

This discussion and analysis of the 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, 2016. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2016 was \$43,432,373.
- For the fiscal year ended August 31, 2016, the District's general fund reported a total fund balance of \$25,582,582, of which \$14,700,000 is committed, \$8,385 is nonspendable, and \$10,874,197 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, and the debt service fund) reported combined ending fund balances of \$100,042,589.

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.
- *Proprietary fund statements* provide information about services provided to parties inside the District. The proprietary funds include the 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, 2016

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 proprietary net position and statement of changes in proprietary net position.

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2016

- *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 \$43,432,373 at August 31, 2016. *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, 2016. The overall condition of the District increased as a result of increases in property taxes and foundation revenues.

Table 1
Net Position

Description	Governmental Activities		Total Change
	2016	2015	2016-2015
Current assets	\$ 107,753,667	\$ 34,280,791	\$ 73,472,876
Capital assets	86,122,588	85,838,724	283,864
Restricted net assets	95,632	70,632	25,000
Total Assets	193,971,887	120,190,147	73,781,740
Deferred outflow related to pensions	8,130,204	1,422,988	6,707,216
Total Deferred Outflows of Resources	8,130,204	1,422,988	6,707,216
Current liabilities	7,039,182	8,086,504	(1,047,322)
Long-term liabilities	143,216,550	69,898,807	73,317,743
Total Liabilities	150,255,732	77,985,311	72,270,421
Deferred charge on refunding	4,922,124	5,784,539	(862,415)
Deferred inflow related to pensions	3,491,862	1,999,484	1,492,378
Total Deferred Inflows of Resources	8,413,986	7,784,023	629,963
Net Position:			
Net investment in capital assets	23,549,853	22,475,311	1,074,542
Restricted	7,212,030	5,233,187	1,978,843
Unrestricted	12,670,490	8,135,303	4,535,187
Total Net Position	\$ 43,432,373	\$ 35,843,801	\$ 7,588,572

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2016

<u>Description</u>	<u>Business-Type Activities</u>		<u>Total Change 2016-2015</u>
	<u>2016</u>	<u>2015</u>	
Current assets	\$ 414,079	\$ 362,992	\$ 51,087
Total Assets	<u>414,079</u>	<u>362,992</u>	<u>51,087</u>
Current liabilities	419	439	(20)
Total Liabilities	<u>419</u>	<u>439</u>	<u>(20)</u>
Net Position:			
Unrestricted	413,660	362,553	51,107
Total Net Position	<u>\$ 413,660</u>	<u>\$ 362,553</u>	<u>\$ 51,107</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2016

Table 2
Changes in Net Position

	Governmental Activities		Total Change
	2016	2015	2016-2015
Revenues			
Program revenues:			
Charges for services	\$ 2,286,326	\$ 2,243,871	\$ 42,455
Operating grants and contributions	9,479,025	9,714,197	(235,172)
General revenues:			
Property taxes	38,151,322	35,755,544	2,395,778
State foundation program	25,541,343	23,116,366	2,424,977
Investment earnings	322,168	80,064	242,104
Miscellaneous	3,432,222	2,244,260	1,187,962
Total Revenue	79,212,406	73,154,302	6,058,104
Expenses			
Instruction	37,225,363	33,600,801	3,624,562
Instructional resources and media services	615,040	626,965	(11,925)
Curriculum and staff development	1,473,459	1,242,975	230,484
Instructional leadership	226,034	219,916	6,118
School leadership	4,076,029	3,671,700	404,329
Guidance, counseling, and evaluation services	2,074,688	1,941,076	133,612
Social work services	139,302	-	139,302
Health services	779,700	813,297	(33,597)
Student (pupil) transportation	3,474,840	3,409,316	65,524
Food services	4,912,543	4,354,957	557,586
Cocurricular/extracurricular activities	3,036,005	2,917,195	118,810
General administration	1,739,427	1,416,725	322,702
Plant maintenance and operations	6,716,357	6,685,257	31,100
Security and monitoring	490,259	436,092	54,167
Data processing services	428,971	371,157	57,814
Community services	61,614	58,736	2,878
Interest on long-term debt	3,590,715	2,108,324	1,482,391
Bond issuance costs and fees	217,200	9,078	208,122
Payments related to shared services arrangements	8,088	5,123	2,965
Payments to Juvenile Justice Alternative Ed. Programs	7,310	-	7,310
Other intergovernmental charges	330,890	306,479	24,411
Total Expenses	71,623,834	64,195,169	7,428,665
Change in Net Position	7,588,572	8,959,133	(1,370,561)
Beginning net position	35,843,801	26,884,668	8,959,133
Ending Net Position	\$ 43,432,373	\$ 35,843,801	\$ 7,588,572

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2016

	Business-Type Activities		Total Change
	2016	2015	2016-2015
Revenues			
Program revenues:			
Charges for services	\$ 91,722	\$ 87,348	\$ 4,374
Operating grants and contributions	4,981	2,751	2,230
General revenues:			
Miscellaneous	400	400	-
Total Revenue	<u>97,103</u>	<u>90,499</u>	<u>6,604</u>
Expenses			
Community services	45,996	44,098	1,898
Total Expenses	<u>45,996</u>	<u>44,098</u>	<u>1,898</u>
Change in Net Position	<u>51,107</u>	<u>46,401</u>	<u>4,706</u>
Beginning net position	362,553	316,152	46,401
Ending Net Position	<u>\$ 413,660</u>	<u>\$ 362,553</u>	<u>\$ 51,107</u>

Revenues from governmental activities totaled \$79,212,406, which is an increase of \$6,058,104 from the 2015 fiscal year. Property tax revenue is the District's largest revenue source, which totaled \$38,151,322 for the year. This represents an increase of \$2,395,778 compared to the previous year.

Expenses for governmental activities totaled \$71,623,834, which is an increase of \$7,428,665 from the 2015 fiscal year. In total, expenses for the year increased 10% from the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2016, the District's combined governmental funds reported a fund balance of \$100,042,589. This compares to a combined fund balance of \$24,519,010 at August 31, 2015. The fund balance in the general fund increased due to an increase in property tax and state revenues. The fund balance in the debt service fund increased due to a refunding bond issuance and an increase in property tax revenues. The fund balance in the capital projects fund increases due to a refunding 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 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, 2016, 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 \$4,581,636 and the budgeted expenditures exceeded actual expenditures by \$2,193,199.

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2016

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2016, 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, 2016, the District had a total of \$86,122,588 invested in capital assets such as land, buildings, and District equipment. This total includes \$3,802,351 invested during the fiscal year ended August 31, 2016.

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 \$143,216,550 in general obligation bonds outstanding versus \$69,898,807 last year. The net increase totaled \$73,317,743 due to series 2016 bond sale of \$71,0900,000.

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

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGET

The following factors were considered in establishing the District's budget for 2016-2017:

- Property values for ad valorem tax purposes increased for 2016-2017 compared to 2015-2016.
- No new programs were added and no significant changes to existing programs occurred during the current year and no significant changes are planned for 2016-2017.
- The District budgeted revenues of \$57,560,307 and expenditures of \$57,560,307 for an even budget for 2015-2016. This is an increase of 8.5% from the prior year budget.
- The District's M&O 2015-2016 tax rate is \$1.04 per \$100 of property valuation and the I&S 2015-2016 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.

(This page intentionally left blank)

Basic Financial Statements

(This page intentionally left blank)

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

AUGUST 31, 2016

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 893,264	\$ --	\$ 893,264
1120 <i>Current Investments</i>	105,283,086	--	105,283,086
1220 <i>Property Taxes Receivable</i>	1,677,599	--	1,677,599
1230 <i>Allowance for uncollectible Taxes</i>	(510,415)	--	(510,415)
1240 <i>Due from Other Governments</i>	330,963	--	330,963
1260 <i>Internal Balances</i>	(414,079)	414,079	--
1290 <i>Other Receivables (Net)</i>	484,964	--	484,964
1300 <i>Inventories</i>	8,285	--	8,285
Capital Assets:			
1510 <i>Land</i>	3,678,425	--	3,678,425
1520 <i>Buildings and Improvements, Net</i>	71,277,124	--	71,277,124
1530 <i>Furniture and Equipment, Net</i>	1,463,421	--	1,463,421
1540 <i>Vehicles, Net</i>	3,374,056	--	3,374,056
1580 <i>Construction in Progress</i>	6,329,562	--	6,329,562
1910 <i>Restricted Assets</i>	95,632	--	95,632
1000 Total Assets	<u>193,971,887</u>	<u>414,079</u>	<u>194,385,966</u>
DEFERRED OUTFLOWS OF RESOURCES:			
1705 <i>Deferred Outflow Related to Pensions</i>	8,130,204	--	8,130,204
1700 Total Deferred Outflows of Resources	<u>8,130,204</u>	<u>--</u>	<u>8,130,204</u>
LIABILITIES:			
2110 <i>Accounts Payable</i>	1,607,318	--	1,607,318
2140 <i>Interest Payable</i>	984,335	--	984,335
2165 <i>Accrued Liabilities</i>	4,254,288	419	4,254,707
2300 <i>Unearned Revenue</i>	193,241	--	193,241
Noncurrent Liabilities:			
2501 <i>Due Within One Year</i>	3,724,509	--	3,724,509
2502 <i>Due in More Than One Year</i>	126,096,203	--	126,096,203
2540 <i>Net Pension Liability</i>	13,395,838	--	13,395,838
2000 Total Liabilities	<u>150,255,732</u>	<u>419</u>	<u>150,256,151</u>
DEFERRED INFLOWS OF RESOURCES:			
2600 <i>Deferred Charge on Refunding</i>	4,922,124	--	4,922,124
2605 <i>Deferred Inflow Related to Pensions</i>	3,491,862	--	3,491,862
2600 Total Deferred Inflows of Resources	<u>8,413,986</u>	<u>--</u>	<u>8,413,986</u>
NET POSITION:			
3200 Net Investment in Capital Assets	23,549,853	--	23,549,853
Restricted For:			
3820 <i>State and Federal Programs</i>	3,778,590	--	3,778,590
3850 <i>Debt Service</i>	2,930,902	--	2,930,902
3890 <i>Other Restrictions on Fund Balance</i>	502,538	--	502,538
3900 <i>Unrestricted</i>	12,670,490	413,660	13,084,150
3000 Total Net Position	<u>\$ 43,432,373</u>	<u>\$ 413,660</u>	<u>\$ 43,846,033</u>

The accompanying notes are an integral part of this statement.

WILLIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 37,225,363	\$ 3,000	\$ 4,354,907
12	Instructional Resources and Media Services	615,040	--	225,761
13	Curriculum and Staff Development	1,473,459	--	356,715
21	Instructional Leadership	226,034	--	64,213
23	School Leadership	4,076,029	--	184,125
31	Guidance, Counseling, & Evaluation Services	2,074,688	--	216,513
32	Social Work Services	139,302	--	7,119
33	Health Services	779,700	--	236,315
34	Student Transportation	3,474,840	--	183,984
35	Food Service	4,912,543	1,133,196	3,000,204
36	Cocurricular/Extracurricular Activities	3,036,005	1,134,638	41,596
41	General Administration	1,739,427	--	79,709
51	Facilities Maintenance and Operations	6,716,357	15,492	379,722
52	Security and Monitoring Services	490,259	--	21,920
53	Data Processing Services	428,971	--	56,265
61	Community Services	61,614	--	58,686
72	Interest on Long-term Debt	3,590,715	--	--
73	Bond Issuance Costs and Fees	217,200	--	--
93	Payments Related to Shared Services Arrangements	8,088	--	10,898
95	Payments to Juvenile Justice Alternative Ed. Programs	7,310	--	373
99	Other Intergovernmental Charges	330,890	--	--
TG	Total Governmental Activities	<u>71,623,834</u>	<u>2,286,326</u>	<u>9,479,025</u>
	Business-type Activities:			
01	Early Bird Child Care	45,996	91,722	4,981
TB	Total Business-type Activities	<u>45,996</u>	<u>91,722</u>	<u>4,981</u>
TP	Total Primary Government	<u>\$ 71,669,830</u>	<u>\$ 2,378,048</u>	<u>\$ 9,484,006</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.

6

7

8

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (32,867,456)	\$ --	\$ (32,867,456)
(389,279)	--	(389,279)
(1,116,744)	--	(1,116,744)
(161,821)	--	(161,821)
(3,891,904)	--	(3,891,904)
(1,858,175)	--	(1,858,175)
(132,183)	--	(132,183)
(543,385)	--	(543,385)
(3,290,856)	--	(3,290,856)
(779,143)	--	(779,143)
(1,859,771)	--	(1,859,771)
(1,659,718)	--	(1,659,718)
(6,321,143)	--	(6,321,143)
(468,339)	--	(468,339)
(372,706)	--	(372,706)
(2,928)	--	(2,928)
(3,590,715)	--	(3,590,715)
(217,200)	--	(217,200)
2,810	--	2,810
(6,937)	--	(6,937)
(330,890)	--	(330,890)
<u>(59,858,483)</u>	<u>--</u>	<u>(59,858,483)</u>
--	50,707	50,707
--	50,707	50,707
<u>(59,858,483)</u>	<u>50,707</u>	<u>(59,807,776)</u>
28,561,845	--	28,561,845
9,589,477	--	9,589,477
322,168	--	322,168
25,541,343	--	25,541,343
3,432,222	400	3,432,622
<u>67,447,055</u>	<u>400</u>	<u>67,447,455</u>
7,588,572	51,107	7,639,679
35,843,801	362,553	36,206,354
<u>\$ 43,432,373</u>	<u>\$ 413,660</u>	<u>\$ 43,846,033</u>

WILLIS INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 209,569	\$ 1,011
1120 <i>Current Investments</i>	34,280,804	2,855,432
1220 <i>Property Taxes Receivable</i>	1,264,961	412,638
1230 <i>Allowance for Uncollectible Taxes</i>	(388,971)	(121,444)
1240 <i>Due from Other Governments</i>	--	--
1260 <i>Due from Other Funds</i>	827,583	74,459
1300 <i>Inventories</i>	8,285	--
1000 Total Assets	<u>36,202,231</u>	<u>3,222,096</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 1,224,455	\$ --
2150 <i>Payroll Deductions & Withholdings</i>	132,145	--
2160 <i>Accrued Wages Payable</i>	3,775,990	--
2170 <i>Due to Other Funds</i>	4,280,874	--
2200 <i>Accrued Expenditures</i>	107,651	--
2300 <i>Unearned Revenue</i>	183,672	--
2000 Total Liabilities	<u>9,704,787</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES:		
2600 <i>Unavailable Revenue - Property Taxes</i>	914,862	291,194
2600 Total Deferred Inflows of Resources	<u>914,862</u>	<u>291,194</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410 <i>Inventories</i>	8,385	--
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3470 <i>Capital Acquisitions & Contractual Obligations</i>	--	--
3480 <i>Debt Service</i>	--	2,930,902
3490 <i>Other Restrictions of Fund Balance</i>	--	--
Committed Fund Balances:		
3510 <i>Construction</i>	6,150,000	--
3530 <i>Capital Expenditures for Equipment</i>	8,550,000	--
3600 <i>Unassigned</i>	10,874,197	--
3000 Total Fund Balances	<u>25,582,582</u>	<u>2,930,902</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 36,202,231</u>	<u>\$ 3,222,096</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60		98
Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ 18,036	\$ 658,206	\$ 886,822
67,253,350	916,064	105,305,650
--	--	1,677,599
--	--	(510,415)
--	330,963	330,963
--	2,996,461	3,898,503
--	--	8,285
<u>67,271,386</u>	<u>4,901,694</u>	<u>111,597,407</u>
\$ 23,409	\$ 257,480	\$ 1,505,344
--	--	132,145
--	221,191	3,997,181
--	115,015	4,395,889
--	17,311	124,962
--	9,569	193,241
<u>23,409</u>	<u>620,566</u>	<u>10,348,762</u>
--	--	1,206,056
<u>--</u>	<u>--</u>	<u>1,206,056</u>
--	--	8,385
--	3,778,590	3,778,590
67,247,977	--	67,247,977
--	--	2,930,902
--	502,538	502,538
--	--	6,150,000
--	--	8,550,000
--	--	10,874,197
<u>67,247,977</u>	<u>4,281,128</u>	<u>100,042,589</u>
\$ <u>67,271,386</u>	\$ <u>4,901,694</u>	\$ <u>111,597,407</u>

(This page intentionally left blank)

WILLIS INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2016*

Total fund balances - governmental funds balance sheet	\$ 100,042,589
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.	86,122,589
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,206,056
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	545,802
Payables for bond principal which are not due in the current period are not reported in the funds.	(134,742,834)
Payables for bond interest which are not due in the current period are not reported in the funds.	(984,333)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(13,395,838)
Deferred inflows of resources related to the pension plan are not reported in the funds.	(3,491,862)
Deferred outflows of resources related to the pension plan are not reported in the funds.	8,130,204
Net position of governmental activities - Statement of Net Position	\$ <u>43,432,373</u>

The accompanying notes are an integral part of this statement.

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10	50
	General Fund	Debt Service
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 29,119,990	\$ 9,573,840
5800 <i>State Program Revenues</i>	27,962,444	18,437
5900 <i>Federal Program Revenues</i>	66,536	--
5020 <i>Total Revenues</i>	<u>57,148,970</u>	<u>9,592,277</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	29,391,335	--
0012 <i>Instructional Resources and Media Services</i>	245,394	--
0013 <i>Curriculum and Staff Development</i>	1,037,711	--
0021 <i>Instructional Leadership</i>	154,377	--
0023 <i>School Leadership</i>	3,439,889	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	1,786,191	--
0032 <i>Social Work Services</i>	164,764	--
0033 <i>Health Services</i>	606,651	--
0034 <i>Student Transportation</i>	3,249,361	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	1,418,835	--
0041 <i>General Administration</i>	1,616,868	--
0051 <i>Facilities Maintenance and Operations</i>	6,544,955	--
0052 <i>Security and Monitoring Services</i>	480,057	--
0053 <i>Data Processing Services</i>	377,622	--
0061 <i>Community Services</i>	--	--
0071 <i>Principal on Long-term Debt</i>	--	5,590,020
0072 <i>Interest on Long-term Debt</i>	--	3,838,971
0073 <i>Bond Issuance Costs and Fees</i>	--	627,692
0081 <i>Capital Outlay</i>	--	--
0093 <i>Payments to Shared Services Arrangements</i>	--	--
0095 <i>Payments to Juvenile Justice Alternative</i>	--	--
0095 <i>Education Programs</i>	7,310	--
0099 <i>Other Intergovernmental Charges</i>	330,890	--
6030 <i>Total Expenditures</i>	<u>50,852,210</u>	<u>10,056,683</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>		
1100 <i>Expenditures</i>	<u>6,296,760</u>	<u>(464,406)</u>
Other Financing Sources and (Uses):		
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	1,090,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	7,163,912
8949 <i>Other Uses</i>	--	(6,131,922)
7080 <i>Total Other Financing Sources and (Uses)</i>	--	<u>2,121,990</u>
1200 <i>Net Change in Fund Balances</i>	<u>6,296,760</u>	<u>1,657,584</u>
0100 <i>Fund Balances - Beginning</i>	19,285,822	1,273,318
3000 <i>Fund Balances - Ending</i>	<u>\$ 25,582,582</u>	<u>\$ 2,930,902</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60	Other Governmental Funds	98 Total Governmental Funds
Construction Fund		
\$ 168,589	\$ 2,190,420	\$ 41,052,839
--	249,464	28,230,345
--	6,723,487	6,790,023
<u>168,589</u>	<u>9,163,371</u>	<u>76,073,207</u>
--	2,654,771	32,046,106
--	210,591	455,985
--	294,300	1,332,011
--	49,185	203,562
--	12,922	3,452,811
--	120,214	1,906,405
--	--	164,764
--	111,912	718,563
--	30,989	3,280,350
--	4,138,495	4,138,495
--	990,965	2,409,800
--	145	1,617,013
--	144,941	6,689,896
--	--	480,057
--	24,999	402,621
--	49,594	49,594
--	--	5,590,020
--	--	3,838,971
--	--	627,692
2,920,612	--	2,920,612
--	8,088	8,088
--	--	7,310
--	--	330,890
<u>2,920,612</u>	<u>8,842,111</u>	<u>72,671,616</u>
<u>(2,752,023)</u>	<u>321,260</u>	<u>3,401,591</u>
70,000,000	--	71,090,000
--	--	7,163,912
--	--	(6,131,922)
<u>70,000,000</u>	<u>--</u>	<u>72,121,990</u>
67,247,977	321,260	75,523,581
--	3,959,868	24,519,008
<u>\$ 67,247,977</u>	<u>\$ 4,281,128</u>	<u>\$ 100,042,589</u>

(This page intentionally left blank)

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, 2016*

Net change in fund balances - total governmental funds	\$ 75,523,581
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	3,837,981
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,554,116)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	123,691
Repayment of bond principal is an expenditure in the funds, but is not an expense in the SOA.	5,590,020
(Increase) decrease in accrued interest from beginning of period to end of period.	248,255
The net revenue (expense) of internal service funds is reported with governmental activities.	(823,735)
Proceeds of long-term debt is recognized as other financial resources in the funds, but not revenue in the SOA.	6,542,414
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(71,090,000)
Bond premiums are reported in the funds, but not in the SOA.	(7,163,912)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resources.	3,015,508
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	<u>(4,661,115)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 7,588,572</u>

The accompanying notes are an integral part of this statement.

(This page intentionally left blank)

WILLIS INDEPENDENT SCHOOL DISTRICT*STATEMENT OF NET POSITION**PROPRIETARY FUNDS**AUGUST 31, 2016*

Data Control Codes	Nonmajor Enterprise Fund		Internal Service Funds
	Early Bird Child Care		
ASSETS:			
Current Assets:			
1110	Cash and Cash Equivalents	\$ --	\$ 6,443
1120	Investments	--	73,068
Receivables:			
1260	Due from Other Funds	414,079	1,017,016
1290	Other Receivables (net)	--	484,962
1000	Total Assets	<u>414,079</u>	<u>1,581,489</u>
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ --	\$ 101,980
2160	Accrued Wages Payable	419	--
2170	Due to Other Funds	--	933,707
2000	Total Liabilities	<u>419</u>	<u>1,035,687</u>
NET POSITION:			
3800	Restricted	<u>413,660</u>	<u>545,802</u>
3000	Total Net Position	<u>\$ 413,660</u>	<u>\$ 545,802</u>

The accompanying notes are an integral part of this statement.

(This page intentionally left blank)

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

ON THE YEAR ENDED AUGUST 31, 2010

<div> Data Control Codes </div>		<div> Nonmajor Enterprise Fund </div>	<div> Internal Service Funds </div>
		<div> Early Bird Child Care </div>	
OPERATING REVENUES:			
5700	Local and Intermediate Sources	\$ 92,122	\$ 5,514,578
5800	State Program Revenues	4,981	--
5020	Total Revenues	97,103	5,514,578
OPERATING EXPENSES:			
6100	Payroll Costs	43,988	--
6200	Professional and Contracted Services	--	6,322,296
6300	Supplies and Materials	319	16,017
6400	Other Operating Costs	1,689	--
6030	Total Expenses	45,996	6,338,313
1300	Change in Net Position	51,107	(823,735)
0100	Total Net Position - Beginning	362,553	1,369,537
3300	Total Net Position - Ending	\$ 413,660	\$ 545,802

The accompanying notes are an integral part of this statement.

(This page intentionally left blank)

WILLIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2016

	Enterprise Funds	
	Early Bird Child Care	Internal Service Funds
Cash Flows from Operating Activities:		
<i>Cash Received from Customers</i>	\$ 97,103	\$ 5,514,578
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	--	821,307
<i>Cash Payments to Employees for Services</i>	(95,095)	(6,322,246)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(2,008)	(16,017)
Net Cash Provided (Used) by Operating Activities	--	(2,378)
Net Increase (Decrease) in Cash and Cash Equivalents	--	(2,378)
Cash and Cash Equivalents at Beginning of Year	--	81,889
Cash and Cash Equivalents at End of Year	\$ --	\$ 79,511
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 51,107	\$ (823,735)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
<i>Increase (Decrease) in Accounts Payable</i>	--	50
<i>Increase (Decrease) in Accrued Wages Payable</i>	(20)	--
<i>Increase (Decrease) in Interfund Payables</i>	(51,087)	821,307
Total Adjustments	(51,107)	821,357
Net Cash Provided (Used) by Operating Activities	\$ --	\$ (2,378)

The accompanying notes are an integral part of this statement.

WILLIS INDEPENDENT SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**AUGUST 31, 2016*

Data Control Codes	Agency Fund	Student Activity
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 102,941	
1000 Total Assets	<u>102,941</u>	
LIABILITIES:		
Current Liabilities:		
2190 <i>Due to Student Groups</i>	\$ 102,941	
2000 Total Liabilities	<u>102,941</u>	
NET POSITION:		
3000 Total Net Position	<u>\$ --</u>	

The accompanying notes are an integral part of this statement.

(This page intentionally left blank)

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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 ("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, 2016

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, 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, 2016

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 estimated fair 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, 2016

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 four items that qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This is deferred and amortized over the life of the refunded or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for employer pension 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 two items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. 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, 2016

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, 2016

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.

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.

At August 31, 2016, the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	13,395,838

5. New Accounting Standards Adopted

In fiscal year 2016, the District adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- Statement No. 77, *Tax Abatement Disclosures*

- a. Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques. It also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.
- b. The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.
- c. Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the District or any other government which affect the District's tax revenue.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

1. Cash Deposits:

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$996,203 and the bank balance was \$1,413,119. The District's cash deposits at August 31, 2016, and during the year ended August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

The District's investments at August 31, 2016 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	\$ 96,507,889
TexPool Investment Pool	N/A	4,438,869
TexSTAR Investment Pool	N/A	4,336,327
Total Investments		<u>\$ 105,283,085</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.

At August 31, 2016, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment or Investment Type</u>	<u>Administrator</u>	<u>Rating</u>
Lone Star Investment Pool	First Public, LLC	AAA*
TexPool Investment Pool	Federated Securities Corp.	AAAm*
TexSTAR Investment Pool	First Southwest Company	AAAm*

* Rated by Standard and Poor's Investor Services

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.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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.

Lone Star

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and 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 \$1.00. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of \$1.00 and the Corporate Overnight Plus maintains a net asset value of \$0.50.

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 to advise with respect to TexPool. The Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool and are qualified to advise in respect to TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & 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.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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 ("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 of Directors. J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Company (FSC) serve as co-administrators for TexSTAR under an agreement with the Board. JPMIM provides investment management services, and FSC provides participant services and marketing. Custodial, fund accounting, and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. The business affairs of TexSTAR are managed by the Board in accordance with its bylaws. The bylaws set forth procedures governing the selection procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements. TexSTAR is rated AAAm by Standard and Poor's and is not 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.

D. Capital Assets

Capital asset activity for the year ended August 31, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,678,425	\$ --	\$ --	\$ 3,678,425
Construction in progress	3,408,970	2,920,592	--	6,329,562
Total capital assets not being depreciated	<u>7,087,395</u>	<u>2,920,592</u>	<u>--</u>	<u>10,007,987</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	114,634,283	180,106	--	114,814,389
Equipment	2,696,398	185,547	--	2,881,945
Vehicles	8,796,164	551,736	--	9,347,900
Total capital assets being depreciated	<u>126,126,845</u>	<u>917,389</u>	<u>--</u>	<u>127,044,234</u>
Less accumulated depreciation for:				
Buildings and improvements	(40,725,798)	(2,811,467)	--	(43,537,265)
Equipment	(1,256,231)	(162,292)	--	(1,418,523)
Vehicles	(5,393,487)	(580,357)	--	(5,973,844)
Total accumulated depreciation	<u>(47,375,516)</u>	<u>(3,554,116)</u>	<u>--</u>	<u>(50,929,632)</u>
Total capital assets being depreciated, net	<u>78,751,329</u>	<u>(2,636,727)</u>	<u>--</u>	<u>76,114,602</u>
Governmental activities capital assets, net	<u>\$ 85,838,724</u>	<u>\$ 283,865</u>	<u>\$ --</u>	<u>\$ 86,122,589</u>

WILLIS INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED AUGUST 31, 2016**

Depreciation was charged to functions as follows:

Instruction	\$	1,575,857
Instructional Resources and Media Services		92,220
School Leadership		357,189
Guidance, Counseling, & Evaluation Services		7,043
Health Services		9,626
Student Transportation		532,773
Food Services		159,741
Extracurricular Activities		577,959
General Administration		3,229
Plant Maintenance and Operations		160,601
Security and Monitoring Services		10,202
Data Processing Services		67,676
	\$	<u>3,554,116</u>

E. Interfund Balances and Activities**Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2016 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Special Revenue Funds	General Fund	\$ 2,168,878	Short-term loans
Debt Service	General Fund	74,459	Short-term loans
Enterprise Fund	General Fund	414,079	Short-term loans
Internal Service Fund	General Fund	795,875	Short-term loans
Internal Service Fund	Special Revenue Funds	1,017,016	Short-term loans
General Fund	Special Revenue Funds	827,583	Short-term loans
Special Revenue Funds	Special Revenue Funds	31,708	Short-term loans
	Total	<u>\$ 5,329,598</u>	

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

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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, 2016, are as follows:

	Original Balance	Beginning Balance	Increases (Decreases)	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Bonds, notes, and other payables:					
Series 1998 Bonds	\$ 16,275,076	\$ 3,825,074	\$ (535,000)	\$ 3,290,074	\$ 1,002,307
Series 2001 Bonds	14,995,750	892,220	(460,020)	432,200	432,200
Series 2001A Bonds	4,250,000	85,000	(85,000)	--	--
Series 2007 Bonds	19,300,000	1,410,000	(690,000)	720,000	720,000
Series 2008 Bonds	15,830,000	3,225,000	(590,000)	2,635,000	615,000
Series 2008A Bonds	6,775,000	5,790,000	(5,725,000)	65,000	35,000
Series 2010 Bonds	13,365,000	11,320,000	(810,000)	10,510,000	525,000
Series 2012 Bonds	6,160,000	5,745,000	(40,000)	5,705,000	40,000
Series 2015 Bonds	27,220,000	27,220,000	(2,335,000)	24,885,000	355,000
Series 2016 Bonds	71,090,000	--	71,090,000	71,090,000	--
	<u>195,260,826</u>	<u>59,512,294</u>	<u>59,819,980</u>	<u>119,332,274</u>	<u>3,724,507</u>
Other liabilities:					
Issuance Premiums	--	3,851,118	6,637,317	10,488,435	--
Net Pension Liability	--	6,535,394	6,860,444	13,395,838	--
Total governmental activities	<u>\$ 195,260,826</u>	<u>\$ 69,898,806</u>	<u>\$ 73,317,741</u>	<u>\$ 143,216,547</u>	<u>\$ 3,724,507</u>
Long-term liabilities due in more than one year				<u>\$ 139,492,040</u>	
Debt associated with capital assets				<u>\$ 119,332,274</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 \$4,025,948 for the year ended August 31, 2016.

The District issued \$71,090,000 in unlimited tax school building and refunding bonds, series 2016 to provide resources for school building and for the advanced refunding of outstanding long-term debt issue in unlimited tax school building bonds, series 2008A.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2016, are as follows:

<u>Year Ending August 31.</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,724,507	\$ 7,128,768	\$ 10,853,275
2018	3,676,065	6,486,254	10,162,319
2019	3,983,720	6,158,618	10,142,338
2020	4,078,995	6,071,880	10,150,875
2021	4,141,694	6,009,131	10,150,825
2022-2026	26,167,293	20,010,136	46,177,431
2027-2031	22,335,000	12,665,331	35,000,331
2032-2036	15,520,000	9,087,475	24,607,475
2037-2041	18,235,000	5,394,425	23,629,425
2042-2046	17,470,000	1,432,600	18,902,600
Totals	<u>\$ 119,332,274</u>	<u>\$ 80,444,618</u>	<u>\$ 199,776,894</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2016, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
Unlimited Tax School Building Bonds, Series 2008A	\$ 5,680,000
Total	<u>\$ 5,680,000</u>

As a result, the refunded portion of the bonds is considered to be defeased and the pro-rata portion of the liability has been removed from the applicable governmental columns in the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$451,922. This amount is being netted against new debt and amortized over the remaining life of the old debt issued. The advance refunding resulted in an economic gain of \$644,886. At August 31, 2016, \$5,680,000 of the unlimited tax school building bonds, Series 2008A was considered defeased relating to the 2016 refunding.

G. Commitments Under Noncapitalized Leases

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

Rental Expenditures in 2016	<u>\$ 238,421</u>
-----------------------------	-------------------

H. Risk Management

The District is exposed to various risks of loss related to torts: theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, 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.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' 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 www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the 5 highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the 3 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.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

	Contribution Rates	
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2015 Employer Contributions	\$ 1,122,126	
District's 2015 Member Contributions	\$ 976,218	
NECE 2015 On-Behalf Contributions to District	\$ 1,773,353	

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 TRS pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

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

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

5. Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
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 primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

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.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2015			
	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
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%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflat. 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%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

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 2015 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	\$ 20,988,758	\$ 13,395,838	\$ 7,071,413

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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

At August 31, 2016, the District reported a liability of \$13,395,838 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	\$ 13,395,838
State's proportionate share of the net pension liability associated with the District	<u>21,163,850</u>
Total	<u>\$ 34,559,688</u>

The net pension liability was measured as of August 31, 2015 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, 2014 through August 31, 2015.

At August 31, 2015, the employer's proportion of the collective net pension liability was 0.0378963%, which was an increase of 0.0134296% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Other Demographic Assumptions

- h. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities and, therefore, these 10% are no longer being counted as active members.
- i. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- j. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- k. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- l. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- m. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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, 2016, the District recognized pension expense of \$4,661,115 and revenue of \$4,661,115 for support provided by the State.

At August 31, 2016, 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	\$ 84,058	\$ 514,814
Changes in actuarial assumptions	353,299	477,905
Difference between projected and actual investment earnings	3,299,096	1,498,112
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	3,243,648	1,001,031
District contributions paid to TRS subsequent to the measurement date	1,150,103	
Total	<u>\$ 8,130,204</u>	<u>\$ 3,491,862</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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
2017	\$ 764,971
2018	764,971
2019	764,971
2020	1,264,342
2021	434,326
Thereafter	317,218
Total	<u>\$ 4,310,799</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 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.

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 2016, 2015, and 2014. 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 2016, 2015, and 2014. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$19,706, \$19,224, 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.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$143,169, \$145,604, and \$93,368, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$255 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, 2016, and terms of coverage and premium costs are included in the contractual provisions.

L. Unemployment Compensation Pool

During the year ended August 31, 2016, 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, 2016, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

M. Workers' Compensation

During the year ended August 31, 2016, 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.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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, 2015, the Fund carries a discounted reserve of \$58,364,320 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2016, 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, 2015 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, 2016.

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.

The District participates in an SSA 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.

WILLIS INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED AUGUST 31, 2016**

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 \$3,273 as expenditures incurred on behalf of the District.

(This page intentionally left blank)

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, 2016

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 28,204,670	\$ 27,775,500	\$ 29,119,990	\$ 1,344,490
5800	State Program Revenues	24,259,441	24,731,031	27,962,444	3,231,413
5900	Federal Program Revenues	60,803	60,803	66,536	5,733
5020	Total Revenues	52,524,914	52,567,334	57,148,970	4,581,636
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	29,955,270	29,990,190	29,391,335	598,855
0012	Instructional Resources and Media Services	244,628	254,628	245,394	9,234
0013	Curriculum and Staff Development	1,087,863	1,090,563	1,037,711	52,852
	Total Instruction & Instr. Related Services	31,287,761	31,335,381	30,674,440	660,941
Instructional and School Leadership:					
0021	Instructional Leadership	157,324	167,324	154,377	12,947
0023	School Leadership	3,295,501	3,465,501	3,439,889	25,612
	Total Instructional & School Leadership	3,452,825	3,632,825	3,594,266	38,559
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,785,545	1,786,545	1,786,191	354
0032	Social Work Services	229,272	228,272	164,764	63,508
0033	Health Services	617,955	617,955	606,651	11,304
0034	Student (Pupil) Transportation	3,287,418	3,765,493	3,249,361	516,132
0036	Cocurricular/Extracurricular Activities	1,540,570	1,540,570	1,418,835	121,735
	Total Support Services - Student (Pupil)	7,460,760	7,938,835	7,225,802	713,033
Administrative Support Services:					
0041	General Administration	1,720,462	1,720,462	1,616,868	103,594
	Total Administrative Support Services	1,720,462	1,720,462	1,616,868	103,594
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	7,250,990	7,045,790	6,544,955	500,835
0052	Security and Monitoring Services	611,674	611,674	480,057	131,617
0053	Data Processing Services	375,442	395,442	377,622	17,820
	Total Support Services - Nonstudent Based	8,238,106	8,052,906	7,402,634	650,272
Intergovernmental Charges:					
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	--	25,000	7,310	17,690
0099	Other Intergovernmental Charges	365,000	340,000	330,890	9,110
	Total Intergovernmental Charges	365,000	365,000	338,200	26,800
6030	Total Expenditures	52,524,914	53,045,409	50,852,210	2,193,199

WILLIS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(478,075)	6,296,760	6,774,835
1200	Net Change in Fund Balance	--	(478,075)	6,296,760	6,774,835
0100	Fund Balance - Beginning	19,285,822	19,285,822	19,285,822	--
3000	Fund Balance - Ending	<u>\$ 19,285,822</u>	<u>\$ 18,807,747</u>	<u>\$ 25,582,582</u>	<u>\$ 6,774,835</u>

Notes to Required Supplementary Information:

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

(This page intentionally left blank)

WILLIS INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)
For the Year Ended August 31, 2016*

	Fiscal Year *	
	2016	2015
District's proportion of the net pension liability (asset)	0.0378963%	0.0244667%
District's proportionate share of the net pension liability (asset)	\$ 13,395,838	\$ 6,535,394
State's proportionate share of the net pension liability (asset) associated with the District	21,163,850	18,665,631
Total	<u>\$ 34,559,688</u>	<u>\$ 25,201,025</u>
District's covered employee payroll **	\$ 37,322,171	\$ 34,840,688
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	35.89%	18.76%
Plan fiduciary net position as a percentage of the total pension liability	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 measurement date.

Note to Required Supplementary Information:*Changes in assumptions*

See notes to the financial statements (Defined Benefit Pension Plan, Teacher Retirement System disclosure) for changes.

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, 2016*

	Fiscal Year				
	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,150,103	\$ 897,108	\$ 620,299	\$ 469,707	\$ 392,991
Contributions in relation to the contractually required contribution	1,150,103	897,108	620,299	469,707	392,991
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered employee payroll	\$ 37,322,171	\$ 35,786,146	\$ 34,840,688	\$ 33,203,801	\$ 32,090,718
Contributions as a percentage of covered employee payroll	3.08%	2.51%	1.78%	1.41%	1.22%

EXHIBIT G-3

Fiscal Year				
2011	2010	2009	2008	2007
\$ 412,361	\$ 377,142	\$ 310,957	\$ 272,650	\$ 206,334
412,361	377,142	310,957	272,650	206,334
\$ --	\$ --	\$ --	\$ --	\$ --
\$ 33,489,278	\$ 32,895,664	\$ 30,409,722	\$ 27,820,907	\$ 25,858,962
1.23%	1.15%	1.02%	0.98%	0.80%

(This page intentionally left blank)

*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, 2016

Data Control Codes	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	224 IDEA-B Formula	225 IDEA-B Preschool Grant
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --	\$ 1,248	\$ --
1120 <i>Current Investments</i>	--	--	--	--
1240 <i>Due from Other Governments</i>	111,057	2,813	85,797	1,655
1260 <i>Due from Other Funds</i>	--	--	--	--
1000 <i>Total Assets</i>	<u>111,057</u>	<u>2,813</u>	<u>87,045</u>	<u>1,655</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 9,747	\$ --	\$ 11,545	\$ --
2160 <i>Accrued Wages Payable</i>	7,452	--	72,365	1,579
2170 <i>Due to Other Funds</i>	91,487	2,789	--	1
2200 <i>Accrued Expenditures</i>	2,371	24	3,135	75
2300 <i>Unearned Revenue</i>	--	--	--	--
2000 <i>Total Liabilities</i>	<u>111,057</u>	<u>2,813</u>	<u>87,045</u>	<u>1,655</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--	--
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--	--
3000 <i>Total Fund Balances</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 111,057</u>	<u>\$ 2,813</u>	<u>\$ 87,045</u>	<u>\$ 1,655</u>

240 National School Breakfast/Lunch Program	243 Career and Technical - Technical	244 Career and Technical - Basic	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement
\$ 35,217	\$ 3,793	\$ 1,274	\$ --	\$ 14,872
916,064	--	--	--	--
119,292	--	--	8,732	1,617
154,427	--	--	--	--
<u>1,225,000</u>	<u>3,793</u>	<u>1,274</u>	<u>8,732</u>	<u>16,489</u>
\$ 167,703	\$ --	\$ 1,274	\$ 2,675	\$ 14,999
119,253	--	--	989	1,479
15,815	--	--	4,923	--
9,903	--	--	145	11
--	3,793	--	--	--
<u>312,674</u>	<u>3,793</u>	<u>1,274</u>	<u>8,732</u>	<u>16,489</u>
912,326	--	--	--	--
--	--	--	--	--
<u>912,326</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ <u>1,225,000</u>	\$ <u>3,793</u>	\$ <u>1,274</u>	\$ <u>8,732</u>	\$ <u>16,489</u>

WILLIS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes	272 Medicaid Administrative Claim	280 Medicare Reimbursement	288 Junior Reserve Officer Training Corp.	289 Summer School LEP
ASSETS:				
1110 Cash and Cash Equivalents	\$ 44,146	\$ --	\$ 136	\$ 8,410
1120 Current Investments	--	--	--	--
1240 Due from Other Governments	--	--	--	--
1260 Due from Other Funds	154,970	2,687,064	--	--
1000 Total Assets	<u>199,116</u>	<u>2,687,064</u>	<u>136</u>	<u>8,410</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ --	\$ 4,315	\$ --	\$ --
2160 Accrued Wages Payable	--	18,033	--	41
2170 Due to Other Funds	--	--	--	--
2200 Accrued Expenditures	--	1,647	--	--
2300 Unearned Revenue	--	--	--	4,426
2000 Total Liabilities	<u>--</u>	<u>23,995</u>	<u>--</u>	<u>4,467</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	199,116	2,663,069	136	3,943
3490 Other Restrictions of Fund Balance	--	--	--	--
3000 Total Fund Balances	<u>199,116</u>	<u>2,663,069</u>	<u>136</u>	<u>3,943</u>
4000 Total Liabilities and Fund Balances	<u>\$ 199,116</u>	<u>\$ 2,687,064</u>	<u>\$ 136</u>	<u>\$ 8,410</u>

331 Career and Technical Basic	385 Supplemental Visually Impaired	393 Texas Successful Schools	397 Advanced Placement Incentives	410 State Textbook
\$ --	\$ 270	\$ 725	\$ 14,942	\$ 166
--	--	--	--	--
--	--	--	--	--
--	270	725	14,942	166
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ 109
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	1,350	--
--	--	--	1,350	109
--	--	--	--	--
--	270	725	13,592	57
--	270	725	13,592	57
\$ --	\$ 270	\$ 725	\$ 14,942	\$ 166

WILLIS INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****AUGUST 31, 2016**

Data Control Codes		423 LEP Student Success Initiative	429 Read To Succeed
ASSETS:			
1110	Cash and Cash Equivalents	\$ 230	\$ 185
1120	Current Investments	--	--
1240	Due from Other Governments	--	--
1260	Due from Other Funds	--	--
1000	Total Assets	<u>230</u>	<u>185</u>
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ --	\$ --
2160	Accrued Wages Payable	--	--
2170	Due to Other Funds	--	--
2200	Accrued Expenditures	--	--
2300	Unearned Revenue	--	--
2000	Total Liabilities	<u>--</u>	<u>--</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	--
3490	Other Restrictions of Fund Balance	<u>230</u>	<u>185</u>
3000	Total Fund Balances	<u>230</u>	<u>185</u>
4000	Total Liabilities and Fund Balances	\$ 230	\$ 185

461	462	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
Campus Activity	Campus Activity	
\$ 465,338	\$ 67,254	\$ 658,206
--	--	916,064
--	--	330,963
--	--	2,996,461
<u>465,338</u>	<u>67,254</u>	<u>4,901,694</u>
\$ 25,377	\$ 19,736	\$ 257,480
--	--	221,191
--	--	115,015
--	--	17,311
--	--	9,569
<u>25,377</u>	<u>19,736</u>	<u>620,566</u>
--	--	3,778,590
<u>439,961</u>	<u>47,518</u>	<u>502,538</u>
<u>439,961</u>	<u>47,518</u>	<u>4,281,128</u>
\$ <u>465,338</u>	\$ <u>67,254</u>	\$ <u>4,901,694</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, 2016

Data Control Codes	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	224 IDEA-B Formula
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--
5900 <i>Federal Program Revenues</i>	1,418,443	2,813	1,097,318
5020 <i>Total Revenues</i>	<u>1,418,443</u>	<u>2,813</u>	<u>1,097,318</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	1,017,120	2,813	930,573
0012 <i>Instructional Resources and Media Services</i>	210,591	--	--
0013 <i>Curriculum and Staff Development</i>	170,359	--	150
0021 <i>Instructional Leadership</i>	--	--	35,478
0023 <i>School Leadership</i>	2,325	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	113,750
0033 <i>Health Services</i>	--	--	--
0034 <i>Student Transportation</i>	--	--	--
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0041 <i>General Administration</i>	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--
0053 <i>Data Processing Services</i>	--	--	--
0061 <i>Community Services</i>	18,048	--	18,050
0093 <i>Payments to Shared Services Arrangements</i>	--	--	--
6030 <i>Total Expenditures</i>	<u>1,418,443</u>	<u>2,813</u>	<u>1,098,001</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>	--	--	(683)
1100 <i>Expenditures</i>	--	--	(683)
1200 <i>Net Change in Fund Balances</i>	--	--	(683)
0100 <i>Fund Balances - Beginning</i>	--	--	683
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	243 Career and Technical - Technical	244 Career and Technical - Basic	255 ESEA Title II Training & Recruiting
\$ --	\$ 1,151,334	\$ --	\$ --	\$ --
--	21,482	--	--	--
21,954	3,036,753	--	--	124,190
<u>21,954</u>	<u>4,209,569</u>	<u>--</u>	<u>--</u>	<u>124,190</u>
21,954	--	--	--	564
--	--	--	--	--
--	--	--	--	112,346
--	--	--	--	3,128
--	--	--	--	8,007
--	--	--	--	--
--	--	--	--	--
--	4,138,495	--	--	--
--	--	--	--	--
--	--	--	--	145
--	120,000	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>21,954</u>	<u>4,258,495</u>	<u>--</u>	<u>--</u>	<u>124,190</u>
--	(48,926)	--	--	--
--	(48,926)	--	--	--
--	961,252	--	--	--
<u>\$ --</u>	<u>\$ 912,326</u>	<u>\$ --</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, 2016

Data Control Codes	263 English Language Acquisition and Enhancement	272 Medicaid Administrative Claim	280 Medicare Reimbursement
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	6,937
5900 <i>Federal Program Revenues</i>	91,687	23,401	816,458
5020 <i>Total Revenues</i>	<u>91,687</u>	<u>23,401</u>	<u>823,395</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	91,412	--	294,628
0012 <i>Instructional Resources and Media Services</i>	--	--	--
0013 <i>Curriculum and Staff Development</i>	275	--	8,229
0021 <i>Instructional Leadership</i>	--	--	10,579
0023 <i>School Leadership</i>	--	--	2,590
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	6,464
0033 <i>Health Services</i>	--	--	111,912
0034 <i>Student Transportation</i>	--	--	30,989
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0041 <i>General Administration</i>	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--
0053 <i>Data Processing Services</i>	--	--	24,999
0061 <i>Community Services</i>	--	--	13,496
0093 <i>Payments to Shared Services Arrangements</i>	--	--	--
6030 <i>Total Expenditures</i>	<u>91,687</u>	<u>--</u>	<u>503,886</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	23,401	319,509
1200 <i>Net Change in Fund Balances</i>	--	<u>23,401</u>	<u>319,509</u>
0100 <i>Fund Balances - Beginning</i>	--	175,715	2,343,560
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ 199,116</u>	<u>\$ 2,663,069</u>

288 Junior Reserve Officer Training Corp.	289 Summer School LEP	331 Career and Technical Basic	385 Supplemental Visually Impaired	393 Texas Successful Schools
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	4,680	--
--	4,452	86,018	--	--
--	4,452	86,018	4,680	--
--	--	74,989	4,410	--
--	--	--	--	--
--	--	2,941	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	8,088	--	--
--	--	86,018	4,410	--
--	4,452	--	270	--
--	4,452	--	270	--
136	(509)	--	--	725
\$ 136	\$ 3,943	\$ --	\$ 270	\$ 725

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	397 Advanced Placement Incentives	410 State Textbook	423 LEP Student Success Initiative
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	216,365	--
5900 <i>Federal Program Revenues</i>	--	--	--
5020 <i>Total Revenues</i>	--	216,365	--
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	--	216,308	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	--
0021 <i>Instructional Leadership</i>	--	--	--
0023 <i>School Leadership</i>	--	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--
0033 <i>Health Services</i>	--	--	--
0034 <i>Student Transportation</i>	--	--	--
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0041 <i>General Administration</i>	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--
0053 <i>Data Processing Services</i>	--	--	--
0061 <i>Community Services</i>	--	--	--
0093 <i>Payments to Shared Services Arrangements</i>	--	--	--
6030 <i>Total Expenditures</i>	--	216,308	--
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>	--	57	--
1100 <i>Expenditures</i>	--	57	--
1200 <i>Net Change in Fund Balances</i>	--	57	--
0100 <i>Fund Balances - Beginning</i>	13,592	--	230
3000 <i>Fund Balances - Ending</i>	\$ 13,592	\$ 57	\$ 230

EXHIBIT H-2
Page 3 of 3

429	461	462	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Read To Succeed	Campus Activity	Campus Activity	
\$ --	\$ 764,728	\$ 274,358	\$ 2,190,420
--	--	--	249,464
--	--	--	6,723,487
--	764,728	274,358	9,163,371
--	--	--	2,654,771
--	--	--	210,591
--	--	--	294,300
--	--	--	49,185
--	--	--	12,922
--	--	--	120,214
--	--	--	111,912
--	--	--	30,989
--	--	--	4,138,495
--	720,655	270,310	990,965
--	--	--	145
--	24,941	--	144,941
--	--	--	24,999
--	--	--	49,594
--	--	--	8,088
--	745,596	270,310	8,842,111
--	19,132	4,048	321,260
--	19,132	4,048	321,260
185	420,829	43,470	3,959,868
\$ 185	\$ 439,961	\$ 47,518	\$ 4,281,128

WILLIS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

AUGUST 31, 2016

Data Control Codes	753 Health Insurance	755 Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-1)
ASSETS:			
Current Assets:			
1110 <i>Cash and Cash Equivalents</i>	\$ 6,443	\$ --	\$ 6,443
1120 <i>Investments</i>	73,068	--	73,068
<i>Receivables:</i>			
1260 <i>Due from Other Funds</i>	--	1,017,016	1,017,016
1290 <i>Other Receivables (net)</i>	234,962	250,000	484,962
1000 Total Assets	<u>314,473</u>	<u>1,267,016</u>	<u>1,581,489</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 101,980	\$ --	\$ 101,980
2170 <i>Due to Other Funds</i>	933,707	--	933,707
2000 Total Liabilities	<u>1,035,687</u>	<u>--</u>	<u>1,035,687</u>
NET POSITION:			
3800 <i>Restricted</i>	(721,214)	1,267,016	545,802
3000 Total Net Position	<u>\$ (721,214)</u>	<u>\$ 1,267,016</u>	<u>\$ 545,802</u>

WILLIS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	753 Health Insurance	755 Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-2)
OPERATING REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 5,187,554	\$ 327,024	\$ 5,514,578
5020 <i>Total Revenues</i>	<u>5,187,554</u>	<u>327,024</u>	<u>5,514,578</u>
OPERATING EXPENSES:			
6200 <i>Professional and Contracted Services</i>	6,130,753	191,543	6,322,296
6300 <i>Supplies and Materials</i>	16,017	--	16,017
6030 <i>Total Expenses</i>	<u>6,146,770</u>	<u>191,543</u>	<u>6,338,313</u>
Income (Loss) before Contributions and Transfers	(959,216)	135,481	(823,735)
7915 <i>Transfers In</i>	775,000	--	775,000
8911 <i>Transfers Out</i>	--	(775,000)	(775,000)
1300 <i>Change in Net Position</i>	<u>(184,216)</u>	<u>(639,519)</u>	<u>(823,735)</u>
0100 <i>Total Net Position - Beginning</i>	(536,998)	1,906,535	1,369,537
3300 <i>Total Net Position - Ending</i>	<u>\$ (721,214)</u>	<u>\$ 1,267,016</u>	<u>\$ 545,802</u>

WILLIS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	753	755	Total Internal Service Funds (See Exhibit D-3)
	Health Insurance	Public Entity Risk Pool	
Cash Flows from Operating Activities:			
<i>Cash Received from Customers</i>	\$ 5,187,554	\$ 327,024	\$ 5,514,578
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	181,788	639,519	821,307
<i>Cash Payments to Employees</i>	(6,130,703)	(191,543)	(6,322,246)
<i>Cash Payments to Suppliers for Goods and Services</i>	(16,017)	--	(16,017)
Net Cash Provided (Used) by Operating Activities	<u>(777,378)</u>	<u>775,000</u>	<u>(2,378)</u>
Cash Flows from Non-capital Financing Activities:			
<i>Transfers From (To) Other Funds</i>	775,000	(775,000)	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>775,000</u>	<u>(775,000)</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,378)	--	(2,378)
Cash and Cash Equivalents at Beginning of Year	81,889	--	81,889
Cash and Cash Equivalents at End of Year	<u>\$ 79,511</u>	<u>\$ --</u>	<u>\$ 79,511</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (959,216)	\$ 135,481	\$ (823,735)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
<i>Increase (Decrease) in Accounts Payable</i>	50	--	50
<i>Increase (Decrease) in Accrued Wages Payable</i>	181,788	639,519	821,307
Total Adjustments	<u>181,838</u>	<u>639,519</u>	<u>821,357</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (777,378)</u>	<u>\$ 775,000</u>	<u>\$ (2,378)</u>

Other Supplementary Information

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

WILLIS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2016*

Year Ended August 31	1	2	3
	Tax Rates		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2007 and Prior Years	Various	Various	Various
2008	\$ 1.026	\$.28	\$ 1,702,594,002
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 (School Year Under Audit)	\$ 1.04	\$.35	\$ 2,709,205,759

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 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 324,674	\$ --	\$ 23,209	\$ 7,220	\$ (18,939)	\$ 275,306
45,899	--	3,448	941	(641)	40,869
58,490	--	4,141	1,314	(648)	52,387
66,320	--	6,460	2,050	(1,233)	56,577
88,356	--	15,298	4,854	6,980	75,184
117,117	--	25,134	7,975	10,474	94,482
173,774	--	53,908	17,105	7,913	110,674
220,192	--	61,032	20,539	10,405	149,026
496,967	--	183,049	61,603	(38,370)	213,944
--	37,657,960	27,719,974	9,328,837	--	609,148
<u>\$ 1,591,790</u>	<u>\$ 37,657,960</u>	<u>\$ 28,095,654</u>	<u>\$ 9,452,440</u>	<u>\$ (24,058)</u>	<u>\$ 1,677,599</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WILLIS INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,264,917	\$ 1,264,917	\$ 1,151,334	\$ (113,583)
5800	State Program Revenues	97,176	97,176	21,482	(75,694)
5900	Federal Program Revenues	3,174,255	3,174,255	3,036,753	(137,502)
5020	Total Revenues	<u>4,536,348</u>	<u>4,536,348</u>	<u>4,209,569</u>	<u>(326,779)</u>
EXPENDITURES:					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	<u>4,416,348</u>	<u>4,416,348</u>	<u>4,138,495</u>	<u>277,853</u>
	Total Support Services - Student (Pupil)	<u>4,416,348</u>	<u>4,416,348</u>	<u>4,138,495</u>	<u>277,853</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>--</u>
	Total Support Services - Nonstudent Based	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>--</u>
6030	Total Expenditures	<u>4,536,348</u>	<u>4,536,348</u>	<u>4,258,495</u>	<u>277,853</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>--</u>	<u>(48,926)</u>	<u>(48,926)</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>(48,926)</u>	<u>(48,926)</u>
0100	Fund Balance - Beginning	961,252	961,252	961,252	--
3000	Fund Balance - Ending	<u>\$ 961,252</u>	<u>\$ 961,252</u>	<u>\$ 912,326</u>	<u>\$ (48,926)</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2016
EXHIBIT J-3

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 8,445,618	\$ 8,445,618	\$ 9,573,840	\$ 1,128,222
5800	State Program Revenues	--	--	18,437	18,437
5020	Total Revenues	8,445,618	8,445,618	9,592,277	1,146,659
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	8,445,618	5,590,020	5,590,020	--
0072	Interest on Long-Term Debt	--	3,838,971	3,838,971	--
0073	Bond Issuance Costs and Fees	--	5,702	5,702	--
	Total Debt Service	8,445,618	9,434,693	9,434,693	--
6030	Total Expenditures	8,445,618	10,056,683	10,056,683	--
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(1,611,065)	(464,406)	1,146,659
Other Financing Sources (Uses):					
7911	Capital-Related Debt Issued (Regular Bonds)	--	--	1,090,000	1,090,000
7916	Premium or Discount on Issuance of Bonds	--	--	7,163,912	7,163,912
8949	Other Uses	--	(1,611,065)	(6,131,922)	(4,520,857)
7080	Total Other Financing Sources and (Uses)	--	(1,611,065)	2,121,990	3,733,055
1200	Net Change in Fund Balance	--	(3,222,130)	1,657,584	4,879,714
0100	Fund Balance - Beginning	1,273,318	1,273,318	1,273,318	--
3000	Fund Balance - Ending	\$ 1,273,318	\$ (1,948,812)	\$ 2,930,902	\$ 4,879,714



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 the
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, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Willis Independent School District's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Willis Independent School 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 Willis Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Willis Independent School 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.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

P.O. Box 826
Bellville, TX 77418
713.263.1123

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



Governmental
Audit Quality Center



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Willis Independent School 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,

The signature is written in a stylized, cursive script. The first part of the signature is 'BELT', followed by 'HARRIS' in a slightly larger, more ornate script, and then 'PECHACEK, LLLP' in a smaller, simpler script.

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
October 31, 2016



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 the
Willis Independent School District:

Report on Compliance for Each Major Federal Program

We have audited the Willis Independent School District's 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 Willis Independent School District's major federal programs for the year ended August 31, 2016. Willis Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Willis Independent School 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 Willis Independent School 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 Willis Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Willis Independent School 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, 2016.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

P.O. Box 826
Bellville, TX 77418
713.263.1123

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



Governmental
Audit Quality Center

Report on Internal Control Over Compliance

Management of the Willis Independent School 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 Willis Independent School 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 Willis Independent School 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
October 31, 2016

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

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

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, 2016

<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, 2016

EXHIBIT K-1

(1)	(2)	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number		
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Education:			
Medicaid Cluster			
<i>Medicare Reimbursement *</i>	93.778	170-904	\$ 816,458
<i>Medicaid Administrative Claiming Program - MAC *</i>	93.778	170-904	23,401
Total Medicaid Cluster			839,859
Total U. S. Department of Health and Human Services			839,859
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
Special Education Cluster (IDEA)			
<i>IDEA-B Formula *</i>	84.027	166600011709046000	1,098,001
<i>IDEA-B Preschool *</i>	84.173	166610011709046000	21,954
Total Special Education Cluster (IDEA)			1,119,955
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010	16610101170904	1,418,443
<i>ESEA Title I Part C - Education of Migratory Children</i>	84.011	16615001236950	2,813
<i>SSA Career and Technical - Basic Grant</i>	84.048	16420006170904	86,018
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	16671001170904	91,687
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367	16694501170904	124,190
<i>Summer School LEP</i>	84.369	69551502	4,452
Total U. S. Department of Education			2,847,558
U. S. DEPARTMENT OF DEFENSE			
Passed Through State Department of Education:			
<i>Junior Reserve Officer Training Corp.</i>	12.000	170-904	59,298
Total U. S. Department of Defense			59,298
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
Child Nutrition Cluster			
<i>School Breakfast Program *</i>	10.553	71401601	849,026
<i>National School Lunch Program *</i>	10.555	71301601	1,919,360
<i>Summer Food Service Program *</i>	10.559	170-904	9,625
Total Child Nutrition Cluster			2,778,012
Total Food Distribution Cluster			
<i>Commodity Supplemental Food Program (Non-cash) *</i>	10.565	170-904	258,742
Food Distribution Cluster			258,742
Forest Service Schools and Roads Cluster			
<i>Schools and Roads - Grants to States *</i>	10.665	170-904	7,238
Total Forest Service Schools and Roads Cluster			7,238
Total U. S. Department of Agriculture			3,043,992
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,790,707

* Indicates clustered program under OMB Uniform Guidance (2.CFR.200)

EXHIBIT K-1

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, 2016**Basis of Presentation

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

(This page intentionally left blank)

WILLIS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2016*

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the 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.	\$ 13,395,838
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 1,645,607

(This page intentionally left blank)