

WILLIS INDEPENDENT  
SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2015*

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Willis Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2015

TABLE OF CONTENTS

Page   Exhibit

INTRODUCTORY SECTION

Certificate of Board.....	1	
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FINANCIAL SECTION

Independent Auditors' Report.....	5	
Management's Discussion and Analysis (Required Supplementary Information).....	11	

Basic Financial Statements

Government-wide Financial Statements:		
Statement of Net Position.....	21	A-1
Statement of Activities.....	22	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	25	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.....	29	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	

Required Supplementary Information

Budgetary Comparison Schedules:

General Fund.....	64	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System of Texas (TRS).....	67	G-2
Schedule of the District's Contributions - Teacher Retirement System of Texas (TRS)...	68	G-3

Combining Statements as Supplementary Information:

Special Revenue Funds:

Combining Balance Sheet - Nonmajor Special Revenue Funds.....	72	H-1
Combining Statement of Revenues, Expenditures, and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	78	H-2

Willis Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2015

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Internal Service Funds:		
Combining Statement of Net Position.....	85	H-3
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position.....	87	H-4
Combining Statement of Cash Flows.....	89	H-5
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	92	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	95	J-2
Debt Service Fund.....	97	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> .....	99	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	101	
Schedule of Findings and Questioned Costs .....	103	
Summary Schedule of Prior Audit Findings.....	105	
Schedule of Expenditures of Federal Awards .....	107	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	109	
Schedule of Required Responses to Selected School First Indicators.....	111	K-2

## *Introductory Section*

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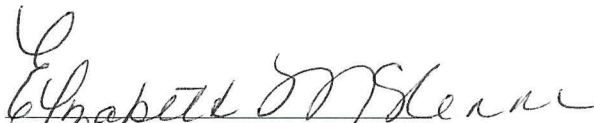
CERTIFICATE OF BOARD

Willis Independent School District  
Name of School District

Montgomery  
County

170-904  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) 7 approved 0 disapproved for the year ended August 31, 2015, at a meeting of the board of trustees of such school district on the 11 day of November, 2015.

  
Signature of Board Secretary

  
Signature of Board President

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

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## *Financial Section*

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## **Independent Auditors' Report**

To the Board of Trustees of 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Willis Independent School District as of August 31, 2015, 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.

---

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Governmental  
Audit Quality Center

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2015, Willis Independent School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* -- an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Willis Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements 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 U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and 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, and 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 audited 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 November 6, 2015 on our consideration of Willis Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Willis Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

*BELT HARRIS PECHACEK, LLP*

Belt Harris Pechacek, LLP  
*Certified Public Accountants*  
Houston, Texas  
November 6, 2015

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

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# **WILLIS INDEPENDENT SCHOOL DISTRICT**

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

**For the Year Ended August 31, 2015**

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, 2015. It should be read in conjunction with the District's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The District's total combined net position at August 31, 2015 was \$36,187,538.
- For the fiscal year ended August 31, 2015, the District's general fund reported a total fund balance of \$19,629,560, of which \$9,500,000 is committed, \$24,739 is nonspendable, and \$10,104,821 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 \$24,862,747.

### **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, 2015**

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 is shown in a separate statement of proprietary net position and statement of changes in proprietary net position.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities that are reported in these funds are used for

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2015

their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in 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 \$36,187,538 at August 31, 2015. *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, 2015. The overall condition of the District increased as a result of increased property tax revenue and decreased instruction expense.

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

<u>Description</u>	<u>Governmental Activities</u>		<u>Total Change</u>
	<u>2015</u>	<u>2014</u>	<u>2015-2014</u>
Current assets	\$ 34,624,528	\$ 34,371,763	\$ 252,765
Capital assets	85,838,724	81,930,286	3,908,438
Restricted net assets	70,632	20,000	50,632
<b>Total Assets</b>	<b>120,533,884</b>	<b>116,322,049</b>	<b>4,211,835</b>
Deferred outflow related to pensions	1,422,988	-	1,422,988
<b>Total Deferred Outflows of Resources</b>	<b>1,422,988</b>	<b>-</b>	<b>1,422,988</b>
Current liabilities	8,086,504	7,126,390	960,114
Long-term liabilities	69,898,807	83,424,650	(13,525,843)
<b>Total Liabilities</b>	<b>77,985,311</b>	<b>90,551,040</b>	<b>(12,565,729)</b>
Deferred charge on refunding	5,784,539	(1,113,659)	6,898,198
Deferred inflow related to pensions	1,999,484	-	1,999,484
<b>Total Deferred Inflows of Resources</b>	<b>7,784,023</b>	<b>(1,113,659)</b>	<b>8,897,682</b>
<b>Net Position:</b>			
Net investment in capital assets	22,475,311	5,469,570	17,005,741
Restricted	5,233,187	3,820,699	1,412,488
Unrestricted	8,479,040	17,594,399	(9,115,359)
<b>Total Net Position</b>	<b>\$ 36,187,538</b>	<b>\$ 26,884,668</b>	<b>\$ 9,302,870</b>

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2015

Description	Business-Type Activities		Total Change 2015-2014
	2015	2014	
Current assets	\$ 362,992	\$ 316,261	\$ 46,731
<b>Total Assets</b>	<u>362,992</u>	<u>316,261</u>	<u>46,731</u>
Current liabilities	439	109	330
<b>Total Liabilities</b>	<u>439</u>	<u>109</u>	<u>330</u>
<b>Net Position:</b>			
Unrestricted	362,553	316,152	46,401
<b>Total Net Position</b>	<u>\$ 362,553</u>	<u>\$ 316,152</u>	<u>\$ 46,401</u>

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2015

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

	<b>Governmental Activities</b>		<b>Total Change</b>
	<b>2015</b>	<b>2014</b>	<b>2015-2014</b>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 2,243,871	\$ 1,075,595	\$ 1,168,276
Operating grants and contributions	9,714,197	6,487,582	3,226,615
General revenues:			
Property taxes	35,755,544	33,381,333	2,374,211
State foundation program	23,460,103	23,751,036	(290,933)
Investment earnings	80,064	40,384	39,680
Miscellaneous	2,244,260	1,427,056	817,204
<b>Total Revenue</b>	<b>73,498,039</b>	<b>66,162,986</b>	<b>7,335,053</b>
<b>Expenses</b>			
Instruction	33,600,801	38,256,852	(4,656,051)
Instructional resources and media services	626,965	652,463	(25,498)
Curriculum and staff development	1,242,975	1,065,341	177,634
Instructional leadership	219,916	232,765	(12,849)
School leadership	3,671,700	3,422,700	249,000
Guidance, counseling and evaluation services	1,941,076	1,933,430	7,646
Health services	813,297	700,296	113,001
Student (pupil) transportation	3,409,316	3,315,439	93,877
Food services	4,354,957	3,798,092	556,865
Cocurricular/extracurricular activities	2,917,195	1,802,252	1,114,943
General administration	1,416,725	1,378,906	37,819
Plant maintenance and operations	6,685,257	6,526,789	158,468
Security and monitoring	436,092	445,628	(9,536)
Data processing services	371,157	350,165	20,992
Community services	58,736	53,355	5,381
Interest on long-term debt	2,108,324	3,459,477	(1,351,153)
Bond issuance costs and fees	9,078	-	9,078
Payments related to shared service arrangements	5,123	-	5,123
Other intergovernmental charges	306,479	271,277	35,202
<b>Total Expenses</b>	<b>64,195,169</b>	<b>67,665,227</b>	<b>(3,470,058)</b>
<b>Change in Net Position</b>	<b>9,302,870</b>	<b>(1,502,241)</b>	<b>10,805,111</b>
Beginning net position	26,884,668	28,386,909	(1,502,241)
<b>Ending Net Position</b>	<b>\$ 36,187,538</b>	<b>\$ 26,884,668</b>	<b>\$ 9,302,870</b>

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2015

	Business-Type Activities		Total Change
	2015	2014	2015-2014
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 87,348	\$ 88,031	\$ (683)
Operating grants and contributions	2,751	-	2,751
General revenues:			
Miscellaneous	400	-	400
<b>Total Revenue</b>	<u>90,499</u>	<u>88,031</u>	<u>2,468</u>
<b>Expenses</b>			
Community services	44,098	38,777	5,321
<b>Total Expenses</b>	<u>44,098</u>	<u>38,777</u>	<u>5,321</u>
<b>Change in Net Position</b>	46,401	49,254	(2,853)
Beginning net position	316,152	266,898	49,254
<b>Ending Net Position</b>	<u>\$ 362,553</u>	<u>\$ 316,152</u>	<u>\$ 46,401</u>

Revenues from governmental activities totaled \$73,498,039, which is an increase of \$7,335,053 from the 2014 fiscal year. Property tax revenue is the District's largest revenue source, which totaled \$35,755,544 for the year. This represents an increase of \$2,374,211 compared to the previous year.

Expenses for governmental activities totaled \$64,195,169, which is a decrease of \$3,470,058 from the 2014 fiscal year. In total, expenses for the year decreased five percent from the prior year.

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

At the close of the fiscal year ending August 31, 2015, the District's combined governmental funds reported a fund balance of \$24,862,747. This compares to a combined fund balance of \$24,899,167 at August 31, 2014. The fund balance in the general fund increased due to an increase in state revenues. The fund balance in the debt service fund increased 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, 2015, 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 \$3,107,938 and the budgeted expenditures exceeded actual expenditures by \$2,588,907.

#### 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, 2015, 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.

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

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

### **For the Year Ended August 31, 2015**

At August 31, 2015, the District had a total of \$85,838,724 invested in capital assets such as land, buildings, and District equipment. This total includes \$7,417,683 invested during the fiscal year ended August 31, 2015.

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 \$69,898,807 in general obligation bonds outstanding versus \$83,424,650 last year. The net decrease totaled \$13,525,843.

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 2015-2016:

- Property values for ad valorem tax purposes did not materially change for 2015-2016 compared to 2014-2015.
- No new programs were added and no significant changes to existing programs occurred during the current year and no significant changes are planned for 2015-2016.
- The District budgeted revenues of \$52,524,914 and expenditures of \$52,524,914 for an even budget for 2015-2016. This is a decrease of nine percent 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. This is an effective tax rate increase of five percent.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

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## *Basic Financial Statements*

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2015**

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ 874,808	\$ --	\$ 874,808
1120 <i>Current Investments</i>	31,893,302	--	31,893,302
1220 <i>Property Taxes Receivable</i>	1,591,790	--	1,591,790
1230 <i>Allowance for Uncollectible Taxes</i>	(509,425)	--	(509,425)
1240 <i>Due from Other Governments</i>	339,747	--	339,747
1260 <i>Internal Balances</i>	(362,992)	362,992	--
1290 <i>Other Receivables (Net)</i>	445,578	--	445,578
1300 <i>Inventories</i>	7,602	--	7,602
1410 <i>Prepaid Items</i>	381	--	381
Capital Assets:			
1510 <i>Land</i>	3,678,425	--	3,678,425
1520 <i>Buildings and Improvements, Net</i>	73,908,485	--	73,908,485
1530 <i>Furniture and Equipment, Net</i>	2,146,446	--	2,146,446
1540 <i>Vehicles, Net</i>	2,696,398	--	2,696,398
1580 <i>Construction in Progress</i>	3,408,970	--	3,408,970
1910 <i>Restricted Assets</i>	70,632	--	70,632
1000 <b>Total Assets</b>	<u>120,190,147</u>	<u>362,992</u>	<u>120,553,139</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
1705 <i>Deferred Outflow Related to Pensions</i>	1,422,988	--	1,422,988
1700 <b>Total Deferred Outflows of Resources</b>	<u>1,422,988</u>	<u>--</u>	<u>1,422,988</u>
<b>LIABILITIES:</b>			
2110 <i>Accounts Payable</i>	3,725,754	--	3,725,754
2140 <i>Interest Payable</i>	705,995	--	705,995
2165 <i>Accrued Liabilities</i>	3,398,781	439	3,399,220
2300 <i>Unearned Revenue</i>	255,974	--	255,974
Noncurrent Liabilities:			
2501 <i>Due Within One Year</i>	5,590,020	--	5,590,020
2502 <i>Due in More Than One Year</i>	57,773,393	--	57,773,393
2540 <i>Net Pension Liability</i>	6,535,394	--	6,535,394
2000 <b>Total Liabilities</b>	<u>77,985,311</u>	<u>439</u>	<u>77,985,750</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
2600 <i>Deferred Change on Refunding</i>	5,784,539	--	5,784,539
2605 <i>Deferred Inflow Related to Pensions</i>	1,999,484	--	1,999,484
2600 <b>Total Deferred Inflows of Resources</b>	<u>7,784,023</u>	<u>--</u>	<u>7,784,023</u>
<b>NET POSITION:</b>			
Net investment in capital assets	22,475,311	--	22,475,311
Restricted For:			
3850 <i>Debt service</i>	1,273,318	--	1,273,318
3890 <i>Other Purposes</i>	3,959,869	--	3,959,869
3900 <i>Unrestricted</i>	8,135,303	362,553	8,497,856
3000 <b>Total Net Position</b>	<u>\$ 35,843,801</u>	<u>\$ 362,553</u>	<u>\$ 36,206,354</u>

The accompanying notes are an integral part of this statement.

# WILLIS INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Functions/Programs	1  Expenses	3  Charges for Services	4  Program Revenues Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 33,600,801	\$ 6,300	\$ 4,313,141
12	Instructional Resources and Media Services	626,965	--	176,055
13	Curriculum and Staff Development	1,242,975	--	456,590
21	Instructional Leadership	219,916	--	87,937
23	School Leadership	3,671,700	--	223,396
31	Guidance, Counseling, & Evaluation Services	1,941,076	--	351,839
32	Social Work Services	117,421	--	6,269
33	Health Services	695,876	--	322,479
34	Student Transportation	3,409,316	--	239,492
35	Food Service	4,354,957	1,147,232	2,825,825
36	Cocurricular/Extracurricular Activities	2,917,195	1,068,571	43,135
41	General Administration	1,416,725	--	82,870
51	Facilities Maintenance and Operations	6,685,257	21,768	461,664
52	Security and Monitoring Services	436,092	--	24,831
53	Data Processing Services	371,157	--	18,962
61	Community Services	58,736	--	73,770
72	Interest on Long-term Debt	2,108,324	--	--
73	Bond Issuance Costs and Fees	9,078	--	--
93	Payments Related to Shared Services Arrangements	5,123	--	5,942
99	Other Intergovernmental Charges	306,479	--	--
TG	Total Governmental Activities	<u>64,195,169</u>	<u>2,243,871</u>	<u>9,714,197</u>
	Business-type Activities:			
01	Early Bird Child Care	44,098	87,348	2,751
TP	Total Primary Government	<u>\$ 64,239,267</u>	<u>\$ 2,331,219</u>	<u>\$ 9,716,948</u>
	General Revenues:			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
IE	Investment Earnings			
GC	Grants and Contributions Not Restricted to Specific Programs			
MI	Miscellaneous			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
PA	Prior Period Adjustment			
	Net Position - Beginning, as Restated			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

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## Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (29,281,360)	\$ --	\$ (29,281,360)
(450,910)	--	(450,910)
(786,385)	--	(786,385)
(131,979)	--	(131,979)
(3,448,304)	--	(3,448,304)
(1,589,237)	--	(1,589,237)
(111,152)	--	(111,152)
(373,397)	--	(373,397)
(3,169,824)	--	(3,169,824)
(381,900)	--	(381,900)
(1,805,489)	--	(1,805,489)
(1,333,855)	--	(1,333,855)
(6,201,825)	--	(6,201,825)
(411,261)	--	(411,261)
(352,195)	--	(352,195)
15,034	--	15,034
(2,108,324)	--	(2,108,324)
(9,078)	--	(9,078)
819	--	819
(306,479)	--	(306,479)
(52,237,101)	--	(52,237,101)
--	\$ 46,001	46,001
(52,237,101)	46,001	(52,191,100)
26,873,160	--	26,873,160
8,882,384	--	8,882,384
80,064	--	80,064
23,116,366	--	23,116,366
2,244,260	400	2,244,660
61,196,234	400	61,196,634
8,959,133	46,401	9,005,534
33,848,602	316,152	34,164,754
(6,963,933)	--	(6,963,933)
26,884,668	316,152	27,200,820
\$ 35,843,801	\$ 362,553	\$ 36,206,354

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

AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 <i>Cash and Cash Equivalents</i>	\$ 141,351	\$ 11	\$ 706,821	\$ 848,183
1120 <i>Current Investments</i>	29,780,048	1,241,726	886,895	31,908,669
1220 <i>Property Taxes Receivable</i>	1,212,317	379,473	--	1,591,790
1230 <i>Allowance for Uncollectible Taxes</i>	(397,287)	(112,138)	--	(509,425)
1240 <i>Due from Other Governments</i>	--	--	339,747	339,747
1260 <i>Due from Other Funds</i>	81,296	31,582	2,613,399	2,726,277
1290 <i>Other Receivables</i>	(39,384)	--	--	(39,384)
1300 <i>Inventories</i>	7,602	--	--	7,602
1410 <i>Prepaid Items</i>	--	--	14,279	14,279
1000 <i>Total Assets</i>	<u>30,785,943</u>	<u>1,540,654</u>	<u>4,561,141</u>	<u>36,887,738</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 3,430,687	\$ --	\$ 193,137	\$ 3,623,824
2150 <i>Payroll Deductions &amp; Withholdings</i>	117,127	--	--	117,127
2160 <i>Accrued Wages Payable</i>	3,041,202	--	178,199	3,219,401
2170 <i>Due to Other Funds</i>	3,781,574	--	212,311	3,993,885
2200 <i>Accrued Expenditures</i>	68,095	--	8,056	76,151
2300 <i>Unearned Revenue</i>	246,405	--	9,569	255,974
2000 <i>Total Liabilities</i>	<u>10,685,090</u>	<u>--</u>	<u>601,272</u>	<u>11,286,362</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
2600 <i>Unavailable Revenue - Property Taxes</i>	815,030	267,336	--	1,082,366
2600 <i>Total Deferred Inflows of Resources</i>	<u>815,030</u>	<u>267,336</u>	<u>--</u>	<u>1,082,366</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3410 <i>Inventories</i>	24,739	--	--	24,739
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	3,480,838	3,480,838
3480 <i>Debt Service</i>	--	1,273,318	--	1,273,318
3490 <i>Other Restrictions of Fund Balance</i>	--	--	479,031	479,031
Committed Fund Balances:				
3510 <i>Construction</i>	4,500,000	--	--	4,500,000
3530 <i>Capital Expenditures for Equipment</i>	750,000	--	--	750,000
3545 <i>Other Committed Fund Balance</i>	4,250,000	--	--	4,250,000
3600 <i>Unassigned</i>	9,756,130	--	--	9,756,130
3000 <i>Total Fund Balances</i>	<u>19,285,823</u>	<u>1,273,318</u>	<u>3,959,869</u>	<u>24,519,010</u>
4000 <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 30,785,943</u>	<u>\$ 1,540,654</u>	<u>\$ 4,561,141</u>	<u>\$ 36,887,738</u>

The accompanying notes are an integral part of this statement.

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2015**

Total fund balances - governmental funds balance sheet	\$ 24,519,010
--	---------------

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.	85,838,724
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,082,365
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	1,369,537
Payables for bond principal which are not due in the current period are not reported in the funds.	(69,147,951)
Payables for bond interest which are not due in the current period are not reported in the funds.	(705,995)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(7,403,854)
Deferred resource inflows related to Teacher Retirement System of Texas (TRS) are not reported in the funds.	(1,999,484)
Deferred resource outflows related to TRS are not reported in the funds.	2,291,450

Net position of governmental activities - Statement of Net Position	\$ <u>35,843,802</u>
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The accompanying notes are an integral part of this statement.

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes	10 General Fund	50 Debt Service	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ 27,564,428	\$ 8,946,380	\$ 2,213,453	\$ 38,724,261
5800 <i>State Program Revenues</i>	25,852,238	--	107,631	25,959,869
5900 <i>Federal Program Revenues</i>	63,401	--	6,807,295	6,870,696
5020 <i>Total Revenues</i>	<u>53,480,067</u>	<u>8,946,380</u>	<u>9,128,379</u>	<u>71,554,826</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	28,554,652	--	2,481,257	31,035,909
0012 <i>Instructional Resources and Media Services</i>	373,229	--	152,291	525,520
0013 <i>Curriculum and Staff Development</i>	804,036	--	398,293	1,202,329
0021 <i>Instructional Leadership</i>	143,447	--	67,608	211,055
0023 <i>School Leadership</i>	3,206,719	--	29,794	3,236,513
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	1,701,580	--	185,725	1,887,305
0032 <i>Social Work Services</i>	117,099	--	--	117,099
0033 <i>Health Services</i>	550,709	--	120,544	671,253
0034 <i>Student Transportation</i>	3,257,097	--	33,245	3,290,342
0035 <i>Food Service</i>	--	--	4,041,893	4,041,893
0036 <i>Cocurricular/Extracurricular Activities</i>	1,354,859	--	969,601	2,324,460
0041 <i>General Administration</i>	1,378,739	--	--	1,378,739
0051 <i>Facilities Maintenance and Operations</i>	6,476,091	--	120,000	6,596,091
0052 <i>Security and Monitoring Services</i>	456,077	--	--	456,077
0053 <i>Data Processing Services</i>	362,635	--	--	362,635
0061 <i>Community Services</i>	--	--	54,733	54,733
0071 <i>Principal on Long-term Debt</i>	--	18,777,704	--	18,777,704
0072 <i>Interest on Long-term Debt</i>	--	2,686,359	--	2,686,359
0073 <i>Bond Issuance Costs and Fees</i>	--	9,078	--	9,078
0081 <i>Capital Outlay</i>	6,229,265	--	--	6,229,265
0093 <i>Payments to Shared Service Arrangements</i>	--	--	5,123	5,123
0099 <i>Other Intergovernmental Charges</i>	306,479	--	--	306,479
6030 <i>Total Expenditures</i>	<u>55,272,713</u>	<u>21,473,141</u>	<u>8,660,107</u>	<u>85,405,961</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>(1,792,646)</u>	<u>(12,526,761)</u>	<u>468,272</u>	<u>(13,851,135)</u>
Other Financing Sources and (Uses):				
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	27,220,000	--	27,220,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	3,261,056	--	3,261,056
8949 <i>Other Uses</i>	--	(17,450,000)	--	(17,450,000)
7080 <i>Total Other Financing Sources and (Uses)</i>	--	<u>13,031,056</u>	--	<u>13,031,056</u>
1200 <i>Net Change in Fund Balances</i>	<u>(1,792,646)</u>	<u>504,295</u>	<u>468,272</u>	<u>(820,079)</u>
0100 <i>Fund Balances - Beginning</i>	21,078,469	769,023	3,051,676	24,899,168
1300 <i>Prior Period Adjustment</i>	--	--	439,921	439,921
<i>Fund Balances - Beginning, as Restated</i>	<u>21,078,469</u>	<u>769,023</u>	<u>3,491,597</u>	<u>25,339,089</u>
3000 <i>Fund Balances - Ending</i>	<u>\$ 19,285,823</u>	<u>\$ 1,273,318</u>	<u>\$ 3,959,869</u>	<u>\$ 24,519,010</u>

The accompanying notes are an integral part of this statement.

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**WILLIS INDEPENDENT SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2015*

Net change in fund balances - total governmental funds	\$ (820,079)
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	7,384,138
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,475,699)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(126,127)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	5,306,660
(Increase) decrease in accrued interest from beginning of period to end of period.	578,036
The net revenue (expense) of internal service funds is reported with governmental activities.	(337,279)
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	30,638,306
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(27,220,000)
Bond premiums are reported in the funds but not in the SOA.	(3,261,056)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resources.	1,725,603
The District's share of the unrecognized deferred inflows and outflows for TRS had to be amortized.	(1,433,370)
Change in net position of governmental activities - Statement of Activities	\$ <u>8,959,133</u>

The accompanying notes are an integral part of this statement.

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

AUGUST 31, 2015

Data Control Codes		Nonmajor Enterprise Fund		Internal Service Funds
		Early Bird Child Care		
	<b>ASSETS:</b>			
	Current Assets:			
1110	Cash and Cash Equivalents	\$ --		\$ 26,624
1120	Investments	--		55,265
	Receivables:			
1260	Due from Other Funds	362,992		1,656,535
1290	Other Receivables (net)	--		484,962
	Total Current Assets	<u>362,992</u>		<u>2,223,386</u>
1000	Total Assets	<u>362,992</u>		<u>2,223,386</u>
	<b>LIABILITIES:</b>			
	Current Liabilities:			
2110	Accounts Payable	\$ --		\$ 101,930
2160	Accrued Wages Payable	439		--
2170	Due to Other Funds	--		751,919
	Total Current Liabilities	<u>439</u>		<u>853,849</u>
2000	Total Liabilities	<u>439</u>		<u>853,849</u>
	<b>NET POSITION:</b>			
3800	Restricted	362,553		1,369,537
3000	Total Net Position	<u>\$ 362,553</u>		<u>\$ 1,369,537</u>

The accompanying notes are an integral part of this statement.

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		Nonmajor Enterprise Fund	Internal Service Funds
		Early Bird Child Care	
<b>OPERATING REVENUES:</b>			
5700	Local and Intermediate Sources	\$ 87,748	\$ 5,268,789
5800	State Program Revenues	2,751	--
5020	Total Revenues	90,499	5,268,789
<b>OPERATING EXPENSES:</b>			
6100	Payroll Costs	41,847	--
6200	Professional and Contracted Services	--	5,554,102
6300	Supplies and Materials	220	51,965
6400	Other Operating Costs	2,031	--
6030	Total Expenses	44,098	5,606,067
1300	Change in Net Position	46,401	(337,278)
0100	Total Net Position - Beginning	316,152	1,706,815
3300	Total Net Position - Ending	\$ 362,553	\$ 1,369,537

The accompanying notes are an integral part of this statement.

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**WILLIS INDEPENDENT SCHOOL DISTRICT****STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS**

FOR THE YEAR ENDED AUGUST 31, 2015

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
	Early Bird Child Care	
<b>Cash Flows from Operating Activities:</b>		
<i>Cash Received from Customers</i>	\$ 90,499	\$ 5,268,789
<i>Cash Payments to Employees for Services</i>	(88,248)	(5,272,769)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(2,251)	(51,965)
Net Cash Provided (Used) by Operating Activities	<u>--</u>	<u>(55,945)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	--	(55,945)
Cash and Cash Equivalents at Beginning of Year	--	138,165
Cash and Cash Equivalents at End of Year	<u>\$ --</u>	<u>\$ 82,220</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash     Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 46,401	\$ (337,278)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Change in Assets and Liabilities:		
<i>Decrease (Increase) in Receivables</i>	--	63,785
<i>Increase (Decrease) in Accrued Wages Payable</i>	330	330
<i>Increase (Decrease) in Interfund Payables</i>	(46,731)	217,218
Total Adjustments	<u>(46,401)</u>	<u>281,333</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ --</u>	<u>\$ (55,945)</u>

The accompanying notes are an integral part of this statement.

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**WILLIS INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

AUGUST 31, 2015

		Agency Fund	
			Student Activity
Data Control Codes			
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$	91,714
1000	Total Assets		<u>91,714</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	Accounts Payable	\$	2,189
2190	Due to Student Groups		<u>89,525</u>
2000	Total Liabilities		<u>91,714</u>
<b>NET POSITION:</b>			
3000	Total Net Position	\$	<u><u>--</u></u>

The accompanying notes are an integral part of this statement.

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

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

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

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

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

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The District reports the following major governmental funds:

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

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

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

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 governmental 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.

Enterprise Fund: These funds are used to account for the operations that provide Early Bird Child Care program operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. This is not considered a major fund for reporting purposes.

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

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

**b. Measurement Focus and Basis of Accounting**

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary 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, 2015**

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. Program Revenue**

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

##### **d. 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.

##### **e. 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>
Buildings and Improvements	20 - 40 years
Vehicles	10 - 20 years
District Equipment	8 - 20 years

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

f. 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. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of 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 a future period(s) 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.

g. 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.

h. 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.

i. 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, 2015**

j. 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 insure accuracy in building a statewide database for policy development and funding plans.

k. 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.

l. 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, 2015**

m. 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, 2015, the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	956,588

5. New Accounting Standards Adopted

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Governmental Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.*

- a. Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (pension trusts) in which:

- 1) Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- 2) Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- 3) Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

- b. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

- c. Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operation. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 69.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

- d. Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 70.

- e. Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District's final year end, the effects from the District's reported contributions to the plan subsequent to the respective measurement date of the plan was an increase in deferred outflow of resources and a decrease in net position.

**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.

## **WILLIS INDEPENDENT SCHOOL DISTRICT**

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

**FOR THE YEAR ENDED AUGUST 31, 2015**

**1. Cash Deposits:**

At August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$966,521 and the bank balance was \$1,392,506. The District's cash deposits at August 31, 2015, and during the year ended August 31, 2015, 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.

The District's investments at August 31, 2015 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool Investment Pool	N/A	\$ 4,427,163
Lone Star Investment Pool	N/A	23,141,963
TexSTAR Investment Pool	N/A	4,324,176
Total Investments		<u>\$ 31,893,302</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, 2015, 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

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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



**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

**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 of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements. TexSTAR is rated 'AAAm' by Standard and Poor's and is operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which generally approximates the market value of the securities. The stated objective of TexSTAR is to maintain a stable \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured.

**Lone Star**

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (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 the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

**TexPool**

The District invests in the Texas Local Government Investment Pool ("TexPool"), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool portfolios and other persons who do not have a business relationship with TexPool portfolios and are qualified to advise in respect to TexPool portfolios. 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](http://www.ttstc.org).

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

**D. Capital Assets**

Capital asset activity for the year ended August 31, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b><u>Governmental activities:</u></b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,678,425	\$ --	\$ --	\$ 3,678,425
Construction in progress	--	3,408,970	--	3,408,970
Total capital assets not being depreciated	<u>3,678,425</u>	<u>3,408,970</u>	<u>--</u>	<u>7,087,395</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	111,787,995	2,846,288	--	114,634,283
Equipment	2,546,634	149,764	--	2,696,398
Vehicles	8,056,858	1,012,661	(273,355)	8,796,164
Total capital assets being depreciated	<u>122,391,487</u>	<u>4,008,713</u>	<u>(273,355)</u>	<u>126,126,845</u>
Less accumulated depreciation for:				
Buildings and improvements	(37,925,496)	(2,800,302)	--	(40,725,798)
Equipment	(1,132,069)	(124,162)	--	(1,256,231)
Vehicles	(5,082,061)	(551,235)	239,809	(5,393,487)
Total accumulated depreciation	<u>(44,139,626)</u>	<u>(3,475,699)</u>	<u>239,809</u>	<u>(47,375,516)</u>
Total capital assets being depreciated, net	<u>78,251,861</u>	<u>533,014</u>	<u>(33,546)</u>	<u>78,751,329</u>
Governmental activities capital assets, net	<u>\$ 81,930,286</u>	<u>\$ 3,941,984</u>	<u>\$ (33,546)</u>	<u>\$ 85,838,724</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,569,023
Instructional Resources and Media Services	92,220
School Leadership	357,189
Guidance, Counseling, & Evaluation Services	7,043
Health Services	9,626
Student Transportation	525,257
Food Services	152,408
Extracurricular Activities	577,959
General Administration	4,150
Plant Maintenance and Operations	121,353
Security and Monitoring Services	10,202
Data Processing Services	49,269
	<u>\$ 3,475,699</u>

**E. Interfund Balances and Activities**

Due To and From Other Funds

Balances due to and due from other funds at August 31, 2015 consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Internal Service Fund	\$ 362,992	Short-term loans
Debt Service Fund	General Fund	31,582	Short-term loans
Special Revenue Funds	General Fund	3,599,311	Short-term loans
	Total	<u>\$ 3,993,885</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, 2015**

**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, 2015 are as follows:

	Original Balance	Beginning Balance	Net Change	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Bonds, notes, and other payables:					
Series 1998 Bonds	\$ 16,275,076	\$ 4,335,074	\$ (510,000)	\$ 3,825,074	\$ 535,000
Series 2001 Bonds	14,995,750	1,383,880	(491,660)	892,220	460,020
Series 2001A Bonds	4,250,000	165,000	(80,000)	85,000	85,000
Series 2002 Bonds	10,312,824	470,000	(470,000)	--	--
Series 2005 Bonds	26,245,000	12,915,000	(12,915,000)	--	--
Series 2007 Bonds	19,300,000	11,285,000	(9,875,000)	1,410,000	690,000
Series 2008 Bonds	15,830,000	12,025,000	(8,800,000)	3,225,000	590,000
Series 2008A Bonds	6,775,000	6,050,000	(260,000)	5,790,000	45,000
Series 2010 Bonds	13,365,000	12,115,000	(795,000)	11,320,000	810,000
Series 2012 Bonds	6,160,000	5,785,000	(40,000)	5,745,000	40,000
Series 2015 Bonds	27,220,000	--	27,220,000	27,220,000	2,335,000
	<u>160,728,650</u>	<u>66,528,954</u>	<u>(7,016,660)</u>	<u>59,512,294</u>	<u>5,590,020</u>
<b>Other Liabilities:</b>					
Accreted interest on CAB	8,833,114	8,552,775	(8,552,775)	--	--
Premiums	4,303,516	1,378,987	2,436,131	3,815,118	--
Total governmental activities	<u>\$ 173,865,280</u>	<u>\$ 76,460,716</u>	<u>\$ (13,133,304)</u>	<u>\$ 63,327,412</u>	<u>\$ 5,590,020</u>
Long-term liabilities due in more than one year				<u>\$ 57,737,393</u>	
Debt associated with capital assets				<u>\$ 59,512,294</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 schoolhouse bonds and refunding bonds and the interest rate on these bonds ranged from 2.0 percent to 5.0 percent. Interest expense was \$2,686,360 for the year ended August 31, 2015.

## **WILLIS INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2015**

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

Debt service requirements on long-term debt at August 31, 2015 are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 5,590,020	\$ 2,825,598	\$ 8,415,618
2017	3,724,507	4,467,924	8,192,431
2018	3,676,065	3,825,410	7,501,475
2019	3,958,720	3,495,324	7,454,044
2020	4,058,994	3,403,130	7,462,124
2021-2025	23,623,988	9,479,083	33,103,071
2026-2030	12,030,000	1,586,044	13,616,044
2031-2035	2,850,000	132,350	2,982,350
Totals	<u>\$ 59,512,294</u>	<u>\$ 29,214,862</u>	<u>\$ 88,727,156</u>

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

The District issued \$27,220,000 of unlimited tax refunding bonds, Series 2015 to provide resources for current refunding and advanced refunding of outstanding long-term debt issues in unlimited tax schoolhouse and refunding bond, Series 2002, and unlimited tax refunding bond, Series 2005.

As a result, the refunding portion of the bonds is considered defeased and pro-rata portion of the liability has been removed from the applicable governmental columns in the Statement of Net Position. The current refunding resulted in an economic gain of \$3,103,596 and a reduction of \$3,469,414 in future debt payments.

#### **4. 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, 2015, 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:

Bond Issue	Amount
Series 2007	\$ 9,215,000
Series 2008	8,235,000
Total	<u>\$ 17,450,000</u>

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

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

Rental Expenditures in 2015	<u>\$ 221,392</u>
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#### **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 2015, 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, 2015**

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

#### **3. Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic cost-of-living-adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the plan description in (1.) above.

#### **4. Contributions**

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

## **WILLIS INDEPENDENT SCHOOL DISTRICT**

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

**FOR THE YEAR ENDED AUGUST 31, 2015**

<b><u>Contribution Rates</u></b>		
	<b><u>2014</u></b>	<b><u>2015</u></b>
Member	6.4%	6.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2014 Employer Contributions	\$ 620,299	
District's 2014 Member Contributions	\$ 576,848	
NECE 2014 On-Behalf Contributions to District	\$ 1,767,854	

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, when employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

#### **5. Actuarial Assumptions**

The total pension liability in the August 31, 2014 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5 Year Market Value
Discount Rate	8%
Long-term Expected Rate of Return*	8%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.5%

\* Includes inflation of 3%

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011, they contained significant margin for possible future mortality improvements. As of the date of the valuation, there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards Practice No. 35.

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 fiscal 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 expected rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-term Expected Portfolio Real Rate of Return *
<b>Global Equity</b>			
U.S.	18.0%	7.0%	1.4%
Non-U.S. Developed	13.0%	7.3%	1.1%
Emerging Markets	9.0%	8.1%	0.9%
Directional Hedge Funds	4.0%	5.4%	0.2%
Private Equity	13.0%	9.2%	1.4%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	2.9%	0.3%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	4.0%	5.2%	0.2%
Cash	1.0%	2.0%	0.0%
<b>Real Return</b>			
Global Inflat. Linked Bonds	3.0%	3.1%	0.0%
Real Assets	16.0%	7.3%	1.5%
Energy & Natural Resources	3.0%	8.8%	0.3%
Commodities	0.0%	3.4%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	8.9%	0.4%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

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

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was one percentage point less and one percentage point greater than the discount rate that was used (8%) in measuring the 2014 net pension liability.

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
District's proportionate share of the net pension liability	\$ 11,678,353	\$ 6,535,394	\$ 2,689,419
Plan net pension liability (in millions from TRS CAFR)	\$ 47,737	\$ 26,717	\$ 10,998

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

At August 31, 2015, the District reported a liability of \$6,535,394 for its proportionate share of the TRS' 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	\$ 6,535,394
State's proportionate share of the net pension liability associated with the District	<u>18,665,631</u>
Total	<u>\$ 25,201,025</u>

The net pension liability was measured as of August 31, 2014 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, 2013 through August 31, 2014.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's measurement date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2013. The amount of the expected resulting change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$1,725,603 and revenue of \$1,725,603 for support provided by the State.



## WILLIS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2015

At August 31, 2015, 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	Deferred Inflows
Differences between expected and actual economic experience	\$ 101,072	\$ --
Changes in actuarial assumptions	424,808	--
Difference between projected and actual investment earnings	--	1,997,483
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	--	2,001
District contributions paid to TRS subsequent to the measurement date	897,108	--
Total	<u>\$ 1,422,988</u>	<u>\$ 1,999,484</u>

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

Year Ended August 31	
2016	\$ (410,944)
2017	\$ (410,944)
2018	\$ (410,944)
2019	\$ (410,944)
2020	\$ 88,427
Thereafter	\$ 82,033

#### 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. 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 website at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading; by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701; or by calling the TRS Communications Department at 1-800-223-8778.

## **WILLIS INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2015**

#### **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 year 2015 and 2014, and 0.5% for fiscal year 2013, and 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 2015, 2014, and 2013. For the years ended August 31, 2015, 2014, and 2013, the State's contributions to TRS-Care were \$19,224, \$18,632, and \$12,701, respectively; the active member contributions were \$232,610, \$226,464, and \$215,825, respectively; and the District's contributions were \$196,824, \$191,624, and \$182,621, respectively; which equaled the required contributions each year.

#### **2. Medicare Part D Subsidies**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2015, 2014, and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$145,604, \$93,368, and \$87,291, respectively.

#### **K. Employee Health Care Coverage**

During the year ended August 31, 2015, 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, 2015, and terms of coverage and premium costs are included in the contractual provisions.

#### **L. Unemployment Compensation Pool**

During the year ended August 31, 2015, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperative Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the 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, 2015, 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, 2014 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

## **WILLIS INDEPENDENT SCHOOL DISTRICT**

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

**FOR THE YEAR ENDED AUGUST 31, 2015**

#### **M. Workers' Compensation**

During the year ended August 31, 2015, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperative Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2014, the Fund carries a discounted reserve of \$56,905,750 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2015, 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, 2014 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

#### **N. Prior Period Adjustment**

Beginning net position for the Campus Activity Fund has been restated to recognize prior year activity not recorded in the governmental special revenue fund. Beginning net position for the governmental activities was restated to recognize pension liability per GASB 68.

	Governmental Activities	Campus Activity
Beginning net position/ fund balance - as reported	\$ 33,848,602	\$ --
To report campus activity funds	439,921	439,921
Change in the net pension liability and contributions	(7,403,854)	--
Beginning net position/ fund balance - as restated	<u>\$ 26,884,669</u>	<u>\$ 439,921</u>

#### **O. 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, 2015.

## **WILLIS INDEPENDENT SCHOOL DISTRICT**

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

**FOR THE YEAR ENDED AUGUST 31, 2015**

#### **P. Shared Services Arrangements**

##### **Shared Services Arrangement - Membership**

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 be used to improve student academic achievement through the use of technology in elementary and secondary schools. The SSA is funded under ESEA, Title II, Part D - Enhancing Education Through Technology. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center - Region VI, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the SSA.

The District participates in an SSA to be used to develop age-appropriate comprehensive violence and drug/alcohol education prevention programs. The SSA is funded under ESEA, Title IV - Safe and Drug-Free School and Communities Act.. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center - Region VI, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the SSA.

### *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, 2015

**EXHIBIT G-1**

Page 1 of 2

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts			Final Budget
		Original	Final	Actual	Positive (Negative)
REVENUES:					
5700	Local and Intermediate Sources	\$ 26,646,979	\$ 26,700,058	\$ 27,564,428	\$ 864,370
5800	State Program Revenues	23,956,660	23,956,660	25,852,238	1,895,578
5900	Federal Program Revenues	59,148	59,148	63,401	4,253
5020	Total Revenues	50,662,787	50,715,866	53,480,067	2,764,201
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	21,824,190	29,266,080	28,554,652	711,428
0012	Instructional Resources and Media Services	132,281	381,853	373,229	8,624
0013	Curriculum and Staff Development	644,844	932,215	804,036	128,179
	Total Instruction & Instr. Related Services	22,601,315	30,580,148	29,731,917	848,231
Instructional and School Leadership:					
0021	Instructional Leadership	75,487	147,593	143,447	4,146
0023	School Leadership	3,199,152	3,258,596	3,206,719	51,877
	Total Instructional & School Leadership	3,274,639	3,406,189	3,350,166	56,023
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	908,808	1,741,213	1,701,580	39,633
0032	Social Work Services	8,417	135,765	117,099	18,666
0033	Health Services	532,791	567,791	550,709	17,082
0034	Student (Pupil) Transportation	3,331,542	3,617,931	3,257,097	360,834
0036	Cocurricular/Extracurricular Activities	224,228	1,452,681	1,354,859	97,822
	Total Support Services - Student (Pupil)	5,005,786	7,515,381	6,981,344	534,037
Administrative Support Services:					
0041	General Administration	1,685,918	1,685,918	1,378,739	307,179
	Total Administrative Support Services	1,685,918	1,685,918	1,378,739	307,179
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	7,459,939	7,146,261	6,476,091	670,170
0052	Security and Monitoring Services	580,836	585,536	456,077	129,459
0053	Data Processing Services	356,922	366,922	362,635	4,287
	Total Support Services - Nonstudent Based	8,397,697	8,098,719	7,294,803	803,916
Capital Outlay:					
0081	Capital Outlay	--	6,229,265	6,229,265	--
	Total Capital Outlay	--	6,229,265	6,229,265	--
Intergovernmental Charges:					
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	--	25,000	--	25,000
0099	Other Intergovernmental Charges	321,000	321,000	306,479	14,521
	Total Intergovernmental Charges	321,000	346,000	306,479	39,521
6030	Total Expenditures	41,286,355	57,861,620	55,272,713	2,588,907

**WILLIS INDEPENDENT SCHOOL DISTRICT****GENERAL FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED AUGUST 31, 2015****EXHIBIT G-1**

Page 2 of 2

		1	2	3	Variance with Final Budget
Data Control Codes		Budgeted Amounts			Positive (Negative)
		Original	Final	Actual	
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	9,376,432	(7,145,754)	(1,792,646)	5,353,108
1200	Net Change in Fund Balance	9,376,432	(7,145,754)	(1,792,646)	5,353,108
0100	Fund Balance - Beginning	21,078,469	21,078,469	21,078,469	--
3000	Fund Balance - Ending	\$ 30,454,901	\$ 13,932,715	\$ 19,285,823	\$ 5,353,108

## Notes to Required Supplementary Information:

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

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)**  
*For the Year Ended August 31, 2015*

	Fiscal Year 2015*
District's proportion of the net pension liability (asset)	0.0244667%
District's proportionate share of the net pension liability (asset)	\$ 6,535,394
State's proportionate share of the net pension liability (asset) associated with the District	18,665,631
Total	\$ <u>25,201,025</u>
District's covered employee payroll**	\$ 34,840,688
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	18.76%
Plan fiduciary net position as a percentage of the total pension liability	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:**

Defined Benefit Pension Plan

*Changes of benefit items*

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

*Changes of assumptions*

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

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year				
	2015	2014	2013	2012	2011
Contractually required contribution	\$ 897,108	\$ 620,299	\$ 469,707	\$ 392,991	\$ 412,361
Contributions in relation to the contractually required contribution	897,108	620,299	469,707	392,991	412,361
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered employee payroll	\$ 35,786,146	\$ 34,840,688	\$ 33,203,801	\$ 32,090,718	\$ 33,489,278
Contributions as a percentage of covered employee payroll	2.51%	1.78%	1.41%	1.22%	1.23%

**EXHIBIT G-3**

2010	2009	2008	2007	2006
\$ 377,142	\$ 310,957	\$ 272,650	\$ 206,334	\$ 205,117
377,142	310,957	272,650	206,334	205,117
\$ --	\$ --	\$ --	\$ --	\$ --
\$ 32,895,664	\$ 30,409,722	\$ 27,820,907	\$ 25,858,962	\$ 23,013,350
1.15%	1.02%	0.98%	0.80%	0.89%

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*Combining Statements  
as Supplementary Information*

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

# WILLIS INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2015

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ 133,184
1120 Current Investments	--	--	--	886,895
1240 Due from Other Governments	129,007	106,880	1,133	83,931
1260 Due from Other Funds	--	--	--	69,886
1410 Prepaid Items	13,898	--	--	--
1000 Total Assets	<u>142,905</u>	<u>106,880</u>	<u>1,133</u>	<u>1,173,896</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ --	\$ 6,792	\$ --	\$ 95,947
2160 Accrued Wages Payable	--	55,025	1,124	94,889
2170 Due to Other Funds	142,607	44,155	9	14,980
2200 Accrued Expenditures	298	225	--	6,829
2300 Unearned Revenue	--	--	--	--
2000 Total Liabilities	<u>142,905</u>	<u>106,197</u>	<u>1,133</u>	<u>212,645</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	683	--	961,251
3490 Other Restrictions of Fund Balance	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>683</u>	<u>--</u>	<u>961,251</u>
4000 Total Liabilities and Fund Balances	<u>\$ 142,905</u>	<u>\$ 106,880</u>	<u>\$ 1,133</u>	<u>\$ 1,173,896</u>

243 Career and Tech Technical	244 Career and Tech Basic	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	272 Medicaid Administrative Claim
\$ 3,793	\$ 1,274	\$ --	\$ 13,929	\$ --
--	--	--	--	--
--	--	15,321	3,475	--
--	--	--	--	175,716
--	--	--	--	--
<u>3,793</u>	<u>1,274</u>	<u>15,321</u>	<u>17,404</u>	<u>175,716</u>
\$ --	\$ 1,274	\$ 1,100	\$ 14,608	\$ --
--	--	3,992	2,778	--
--	--	10,179	--	--
--	--	50	18	--
3,793	--	--	--	--
<u>3,793</u>	<u>1,274</u>	<u>15,321</u>	<u>17,404</u>	<u>--</u>
--	--	--	--	175,716
--	--	--	--	--
--	--	--	--	175,716
<u>3,793</u>	<u>1,274</u>	<u>15,321</u>	<u>17,404</u>	<u>175,716</u>

# WILLIS INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2015

Data Control Codes	289 Medicare Reimbursement	331 Career and Tech Basic	385 Supplemental Visually Impaired	393 Texas Successful Schools
<b>ASSETS:</b>				
1110 <i>Cash and Cash Equivalents</i>	\$ 4,094	\$ --	\$ --	\$ 725
1120 <i>Current Investments</i>	--	--	--	--
1240 <i>Due from Other Governments</i>	--	--	--	--
1260 <i>Due from Other Funds</i>	2,367,797	--	--	--
1410 <i>Prepaid Items</i>	--	381	--	--
1000 <i>Total Assets</i>	<u>2,371,891</u>	<u>381</u>	<u>--</u>	<u>725</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 3,250	\$ --	\$ --	\$ --
2160 <i>Accrued Wages Payable</i>	20,391	--	--	--
2170 <i>Due to Other Funds</i>	--	381	--	--
2200 <i>Accrued Expenditures</i>	636	--	--	--
2300 <i>Unearned Revenue</i>	4,426	--	--	--
2000 <i>Total Liabilities</i>	<u>28,703</u>	<u>381</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	2,343,188	--	--	--
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--	725
3000 <i>Total Fund Balances</i>	<u>2,343,188</u>	<u>--</u>	<u>--</u>	<u>725</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 2,371,891</u>	<u>\$ 381</u>	<u>\$ --</u>	<u>\$ 725</u>



397 Advanced Placement Incentives	410 State Textbook	423 LEP Student Success Initiative	429 State Funded Special Revenue	461 Campus Activity
\$ 14,942	\$ 18,138	\$ 230	\$ 185	\$ 456,249
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>14,942</u>	<u>18,138</u>	<u>230</u>	<u>185</u>	<u>456,249</u>
<u><u>14,942</u></u>	<u><u>18,138</u></u>	<u><u>230</u></u>	<u><u>185</u></u>	<u><u>456,249</u></u>
\$ --	\$ 18,138	\$ --	\$ --	\$ 35,420
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
1,350	--	--	--	--
<u>1,350</u>	<u>18,138</u>	<u>--</u>	<u>--</u>	<u>35,420</u>
<u><u>1,350</u></u>	<u><u>18,138</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>35,420</u></u>
--	--	--	--	--
13,592	--	230	185	420,829
<u>13,592</u>	<u>--</u>	<u>230</u>	<u>185</u>	<u>420,829</u>
<u><u>13,592</u></u>	<u><u>--</u></u>	<u><u>230</u></u>	<u><u>185</u></u>	<u><u>420,829</u></u>
\$ 14,942	\$ 18,138	\$ 230	\$ 185	\$ 456,249
<u><u>14,942</u></u>	<u><u>18,138</u></u>	<u><u>230</u></u>	<u><u>185</u></u>	<u><u>456,249</u></u>

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**WILLIS INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****AUGUST 31, 2015**

Data Control Codes	462  Campus Activity	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS:</b>		
1110 <i>Cash and Cash Equivalents</i>	\$ 60,078	\$ 706,821
1120 <i>Current Investments</i>	--	886,895
1240 <i>Due from Other Governments</i>	--	339,747
1260 <i>Due from Other Funds</i>	--	2,613,399
1410 <i>Prepaid Items</i>	--	14,279
1000 <i>Total Assets</i>	<u>60,078</u>	<u>4,561,141</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 16,608	\$ 193,137
2160 <i>Accrued Wages Payable</i>	--	178,199
2170 <i>Due to Other Funds</i>	--	212,311
2200 <i>Accrued Expenditures</i>	--	8,056
2300 <i>Unearned Revenue</i>	--	9,569
2000 <i>Total Liabilities</i>	<u>16,608</u>	<u>601,272</u>
<b>FUND BALANCES:</b>		
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	3,480,838
3490 <i>Other Restrictions of Fund Balance</i>	43,470	479,031
3000 <i>Total Fund Balances</i>	<u>43,470</u>	<u>3,959,869</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 60,078</u>	<u>\$ 4,561,141</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, 2015**

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--
5900 <i>Federal Program Revenues</i>	1,470,743	1,195,727	18,104
5020 <i>Total Revenues</i>	<u>1,470,743</u>	<u>1,195,727</u>	<u>18,104</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	1,062,329	988,476	18,104
0012 <i>Instructional Resources and Media Services</i>	152,291	--	--
0013 <i>Curriculum and Staff Development</i>	233,476	1,577	--
0021 <i>Instructional Leadership</i>	--	57,882	--
0023 <i>School Leadership</i>	2,077	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	128,734	--
0033 <i>Health Services</i>	--	--	--
0034 <i>Student Transportation</i>	--	--	--
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--
0061 <i>Community Services</i>	20,570	18,375	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	--
6030 <i>Total Expenditures</i>	<u>1,470,743</u>	<u>1,195,044</u>	<u>18,104</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	683	--
1200 <i>Net Change in Fund Balances</i>	--	683	--
0100 <i>Fund Balances - Beginning</i>	--	--	--
1300 <i>Prior Period Adjustment</i>	--	--	--
<i>Fund Balances - Beginning, as Restated</i>	--	--	--
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ 683</u>	<u>\$ --</u>

240 National School Breakfast/Lunch Program	243 Career and Tech Technical	244 Career and Tech Basic	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement
\$ 1,150,532	\$ --	\$ --	\$ --	\$ --
21,322	--	--	--	--
2,877,569	--	--	180,038	117,811
<u>4,049,423</u>	<u>--</u>	<u>--</u>	<u>180,038</u>	<u>117,811</u>
--	--	--	1,917	112,007
--	--	--	--	--
--	--	--	151,341	4,916
--	--	--	--	--
--	--	--	26,780	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
4,041,893	--	--	--	--
--	--	--	--	--
120,000	--	--	--	--
--	--	--	--	888
--	--	--	--	--
<u>4,161,893</u>	<u>--</u>	<u>--</u>	<u>180,038</u>	<u>117,811</u>
(112,470)	--	--	--	--
<u>(112,470)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
1,073,721	--	--	--	--
--	--	--	--	--
<u>1,073,721</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 961,251</u>	<u>\$ --</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, 2015**

Data Control Codes	272 Medicaid Administrative Claim	289 Medicare Reimbursement	331 Career and Tech Basic
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 68,942	\$ --
5800 <i>State Program Revenues</i>	--	6,610	--
5900 <i>Federal Program Revenues</i>	21,484	835,646	90,173
5020 <i>Total Revenues</i>	<u>21,484</u>	<u>911,198</u>	<u>90,173</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	--	136,452	82,299
0012 <i>Instructional Resources and Media Services</i>	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	5,135	1,848
0021 <i>Instructional Leadership</i>	--	9,726	--
0023 <i>School Leadership</i>	--	937	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	56,088	903
0033 <i>Health Services</i>	999	119,545	--
0034 <i>Student Transportation</i>	--	33,245	--
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--
0061 <i>Community Services</i>	--	14,900	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	5,123
6030 <i>Total Expenditures</i>	<u>999</u>	<u>376,028</u>	<u>90,173</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	20,485	535,170	--
1200 <i>Net Change in Fund Balances</i>	<u>20,485</u>	<u>535,170</u>	<u>--</u>
0100 <i>Fund Balances - Beginning</i>	155,231	1,808,018	--
1300 <i>Prior Period Adjustment</i>	--	--	--
<i>Fund Balances - Beginning, as Restated</i>	<u>155,231</u>	<u>1,808,018</u>	<u>--</u>
3000 <i>Fund Balances - Ending</i>	<u>\$ 175,716</u>	<u>\$ 2,343,188</u>	<u>\$ --</u>

385 Supplemental Visually Impaired	393 Texas Successful Schools	397 Advanced Placement Incentives	410 State Textbook	423 LEP Student Success Initiative	429 State Funded Special Revenue
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
3,150	--	--	76,523	--	26
--	--	--	--	--	--
<u>3,150</u>	<u>--</u>	<u>--</u>	<u>76,523</u>	<u>--</u>	<u>26</u>
3,150	--	--	76,523	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>3,150</u>	<u>--</u>	<u>--</u>	<u>76,523</u>	<u>--</u>	<u>--</u>
--	--	--	--	--	26
--	--	--	--	--	26
--	725	13,592	--	230	159
--	--	--	--	--	--
<u>--</u>	<u>725</u>	<u>13,592</u>	<u>--</u>	<u>230</u>	<u>159</u>
\$ <u>--</u>	\$ <u>725</u>	\$ <u>13,592</u>	\$ <u>--</u>	\$ <u>230</u>	\$ <u>185</u>

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**WILLIS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	461  Campus Activity	462  Campus Activity	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 730,866	\$ 263,113	\$ 2,213,453
5800 <i>State Program Revenues</i>	--	--	107,631
5900 <i>Federal Program Revenues</i>	--	--	6,807,295
5020 <i>Total Revenues</i>	<u>730,866</u>	<u>263,113</u>	<u>9,128,379</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	--	--	2,481,257
0012 <i>Instructional Resources and Media Services</i>	--	--	152,291
0013 <i>Curriculum and Staff Development</i>	--	--	398,293
0021 <i>Instructional Leadership</i>	--	--	67,608
0023 <i>School Leadership</i>	--	--	29,794
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	--	185,725
0033 <i>Health Services</i>	--	--	120,544
0034 <i>Student Transportation</i>	--	--	33,245
0035 <i>Food Service</i>	--	--	4,041,893
0036 <i>Cocurricular/Extracurricular Activities</i>	700,373	269,228	969,601
0051 <i>Facilities Maintenance and Operations</i>	--	--	120,000
0061 <i>Community Services</i>	--	--	54,733
0093 <i>Payments to Shared Service Arrangements</i>	--	--	5,123
6030 <i>Total Expenditures</i>	<u>700,373</u>	<u>269,228</u>	<u>8,660,107</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	30,493	(6,115)	468,272
1200 <i>Net Change in Fund Balances</i>	<u>30,493</u>	<u>(6,115)</u>	<u>468,272</u>
0100 <i>Fund Balances - Beginning</i>	--	--	3,051,676
1300 <i>Prior Period Adjustment</i>	390,336	49,585	439,921
<i>Fund Balances - Beginning, as Restated</i>	<u>390,336</u>	<u>49,585</u>	<u>3,491,597</u>
3000 <i>Fund Balances - Ending</i>	<u>\$ 420,829</u>	<u>\$ 43,470</u>	<u>\$ 3,959,869</u>

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**WILLIS INDEPENDENT SCHOOL DISTRICT****COMBINING STATEMENT OF NET POSITION****INTERNAL SERVICE FUNDS****AUGUST 31, 2015**

Data Control Codes	753  Health Insurance	755  Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-1)
<b>ASSETS:</b>			
Current Assets:			
1110 <i>Cash and Cash Equivalents</i>	\$ 26,624	\$ --	\$ 26,624
1120 <i>Investments</i>	55,265	--	55,265
<i>Receivables:</i>			
1260 <i>Due from Other Funds</i>	--	1,656,535	1,656,535
1290 <i>Other Receivables (net)</i>	234,962	250,000	484,962
Total Current Assets	<u>316,851</u>	<u>1,906,535</u>	<u>2,223,386</u>
1000 Total Assets	<u>316,851</u>	<u>1,906,535</u>	<u>2,223,386</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 101,930	\$ --	\$ 101,930
2170 <i>Due to Other Funds</i>	751,919	--	751,919
Total Current Liabilities	<u>853,849</u>	<u>--</u>	<u>853,849</u>
2000 Total Liabilities	<u>853,849</u>	<u>--</u>	<u>853,849</u>
<b>NET POSITION:</b>			
3800 <i>Restricted</i>	(536,998)	1,906,535	1,369,537
3000 Total Net Position	<u>\$ (536,998)</u>	<u>\$ 1,906,535</u>	<u>\$ 1,369,537</u>

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**WILLIS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	753  Health Insurance	755  Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-2)
<b>OPERATING REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 4,967,606	\$ 301,183	\$ 5,268,789
5020 <i>Total Revenues</i>	<u>4,967,606</u>	<u>301,183</u>	<u>5,268,789</u>
<b>OPERATING EXPENSES:</b>			
6200 <i>Professional and Contracted Services</i>	5,410,051	144,051	5,554,102
6300 <i>Supplies and Materials</i>	51,965	--	51,965
6030 <i>Total Expenses</i>	<u>5,462,016</u>	<u>144,051</u>	<u>5,606,067</u>
1300 <i>Change in Net Position</i>	(494,410)	157,132	(337,278)
0100 <i>Total Net Position - Beginning</i>	(42,588)	1,749,403	1,706,815
3300 <i>Total Net Position - Ending</i>	<u>\$ (536,998)</u>	<u>\$ 1,906,535</u>	<u>\$ 1,369,537</u>

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**WILLIS INDEPENDENT SCHOOL DISTRICT****COMBINING STATEMENT OF CASH FLOWS****ALL INTERNAL SERVICE FUNDS****FOR THE YEAR ENDED AUGUST 31, 2015**

	753 Health Insurance Fund	755 Public Entity Risk Pool	Total Internal Service Funds (See Exhibit D-3)
<b>Cash Flows from Operating Activities:</b>			
<i>Cash Received from Customers</i>	\$ 4,967,606	\$ 301,183	\$ 5,268,789
<i>Cash Payments to Employees</i>	(4,971,586)	(301,183)	(5,272,769)
<i>Cash Payments to Suppliers for Goods and Services</i>	(51,965)	--	(51,965)
Net Cash Provided (Used) by Operating Activities	<u>(55,945)</u>	<u>--</u>	<u>(55,945)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(55,945)	--	(55,945)
Cash and Cash Equivalents at Beginning of Year	138,165	--	138,165
Cash and Cash Equivalents at End of Year	<u>\$ 82,220</u>	<u>\$ --</u>	<u>\$ 82,220</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash     Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (494,410)	\$ 157,132	\$ (337,278)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Change in Assets and Liabilities:			
<i>Decrease (Increase) in Receivables</i>	63,785	--	63,785
<i>Increase (Decrease) in Accrued Wages Payable</i>	330	--	330
<i>Increase (Decrease) in Interfund Payables</i>	374,350	(157,132)	217,218
Total Adjustments	<u>438,465</u>	<u>(157,132)</u>	<u>281,333</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (55,945)</u>	<u>\$ --</u>	<u>\$ (55,945)</u>

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### *Other Supplementary Information*

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

**WILLIS INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2015*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2006 and Prior Years	\$	Various	\$	Various	\$	Various
2007		1.352		.25		1,477,384,400
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 (School Year Under Audit)		1.04		.35		2,539,472,571

1000 Totals

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

10 Beginning Balance 9/1/14	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/15
\$ 337,295	\$ --	\$ 24,285	\$ 6,766	\$ (31,834)	\$ 274,411
59,769	--	6,890	1,274	(1,341)	50,264
56,010	--	6,900	1,883	(1,327)	45,899
76,737	--	12,779	4,055	(1,413)	58,490
111,502	--	21,487	6,818	(16,877)	66,320
137,368	--	33,692	10,691	(4,629)	88,356
163,382	--	48,564	15,410	17,709	117,117
319,366	--	96,673	30,675	(18,243)	173,774
498,785	--	196,411	66,100	(16,082)	220,192
--	35,298,669	26,038,684	8,763,019	--	496,967
<u>\$ 1,760,213</u>	<u>\$ 35,298,669</u>	<u>\$ 26,486,365</u>	<u>\$ 8,906,690</u>	<u>\$ (74,036)</u>	<u>\$ 1,591,790</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

**EXHIBIT J-2**

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<b>REVENUES:</b>				
5700	<i>Local and Intermediate Sources</i>	\$ 1,184,340	\$ 1,184,340	\$ 1,150,532	\$ (33,808)
5800	<i>State Program Revenues</i>	97,175	97,175	21,322	(75,853)
5900	<i>Federal Program Revenues</i>	3,012,932	3,012,932	2,877,569	(135,363)
5020	Total Revenues	<u>4,294,447</u>	<u>4,294,447</u>	<u>4,049,423</u>	<u>(245,024)</u>
	<b>EXPENDITURES:</b>				
	Current:				
	Support Services - Student (Pupil):				
0035	<i>Food Services</i>	<u>4,174,447</u>	<u>4,201,619</u>	<u>4,041,893</u>	<u>159,726</u>
	Total Support Services - Student (Pupil)	<u>4,174,447</u>	<u>4,201,619</u>	<u>4,041,893</u>	<u>159,726</u>
	Support Services - Nonstudent Based:				
0051	<i>Plant Maintenance and Operations</i>	<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>4,294,447</u>	<u>4,321,619</u>	<u>4,161,893</u>	<u>159,726</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>(27,172)</u>	<u>(112,470)</u>	<u>(85,298)</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>(27,172)</u>	<u>(112,470)</u>	<u>(85,298)</u>
0100	Fund Balance - Beginning	1,073,721	1,073,721	1,073,721	--
3000	Fund Balance - Ending	<u>\$ 1,073,721</u>	<u>\$ 1,046,549</u>	<u>\$ 961,251</u>	<u>\$ (85,298)</u>

Notes to Required Supplementary Information:

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

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**WILLIS INDEPENDENT SCHOOL DISTRICT**
**EXHIBIT J-3**
**DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<b>REVENUES:</b>				
5700	<i>Local and Intermediate Sources</i>	\$ 8,467,627	\$ 8,467,627	\$ 8,946,380	\$ 478,753
5020	Total Revenues	<u>8,467,627</u>	<u>8,467,627</u>	<u>8,946,380</u>	<u>478,753</u>
	<b>EXPENDITURES:</b>				
	Debt Service:				
0071	<i>Principal on Long-Term Debt</i>	8,467,627	18,777,704	18,777,704	--
0072	<i>Interest on Long-Term Debt</i>	--	3,130,967	2,686,359	444,608
0073	<i>Bond Issuance Costs and Fees</i>	--	30,000	9,078	20,922
	Total Debt Service	<u>8,467,627</u>	<u>21,938,671</u>	<u>21,473,141</u>	<u>465,530</u>
6030	Total Expenditures	<u>8,467,627</u>	<u>21,938,671</u>	<u>21,473,141</u>	<u>465,530</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>(13,471,044)</u>	<u>(12,526,761)</u>	<u>(944,283)</u>
	Other Financing Sources (Uses):				
7911	<i>Capital-Related Debt Issued (Regular Bonds)</i>	--	27,220,000	27,220,000	--
7916	<i>Premium or Discount on Issuance of Bonds</i>	--	3,261,056	3,261,056	--
8949	<i>Other Uses</i>	<u>--</u>	<u>(18,825,000)</u>	<u>(17,450,000)</u>	<u>(1,375,000)</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>11,656,056</u>	<u>13,031,056</u>	<u>(1,375,000)</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>(1,814,988)</u>	<u>504,295</u>	<u>(2,319,283)</u>
0100	Fund Balance - Beginning	769,023	769,023	769,023	--
3000	Fund Balance - Ending	<u>\$ 769,023</u>	<u>\$ (1,045,965)</u>	<u>\$ 1,273,318</u>	<u>\$ (2,319,283)</u>

Notes to Required Supplementary Information:

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

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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, 2015, 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 November 6, 2015.

### 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.

### 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*.

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Governmental  
Audit Quality Center

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
November 6, 2015



Independent Auditors' Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required by OMB Circular A-133

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2015.

**Partners**

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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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

The signature is written in a stylized, cursive script. The words "BELT HARRIS PECHACEK, LLLP" are clearly legible within the script.

Belt Harris Pechacek, LLLP  
Certified Public Accountants  
Houston, Texas  
November 6, 2015

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

**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 auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A- Improving Basic Programs
84.027 and 84.173	IDEA-B Cluster
84.365	Title III, Part A- LEP

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes        No

**B. Financial Statement Findings**

None

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

None

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2015*

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

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2015**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through U. S. Department of Health:			
<i>Medicare Reimbursement *</i>	93.778	170-904	\$ 835,646
<i>Medicaid Administrative Claiming Program - MAC *</i>	93.778	170-904	21,484
Total Passed Through U. S. Department of Health:			<u>857,130</u>
Total U. S. Department of Health and Human Services			<u>857,130</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010	15610101170904	1,470,743
<i>IDEA-B Formula *</i>	84.027	156600011709046000	1,195,044
<i>Career and Technical - Basic Grant</i>	84.048	15420006170904	90,173
<i>IDEA-B Preschool *</i>	84.173	156610011709046000	18,104
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	15671001170904	117,811
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367	15694501170904	180,038
Total Passed Through State Department of Education			<u>3,071,913</u>
Total U. S. Department of Education			<u>3,071,913</u>
U. S. DEPARTMENT OF DEFENSE			
Passed Through State Department of Education:			
<i>ROTC</i>	12.000	170-904	57,503
Total Passed Through State Department of Education:			<u>57,503</u>
Total U. S. Department of Defense			<u>57,503</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
<i>School Breakfast Program *</i>	10.553	170-904	878,428
<i>National School Lunch Program *</i>	10.555	170-904	1,860,563
<i>Commodity Supplemental Food Program (Non-cash) *</i>	10.565	170-904	138,578
<i>Schools and Roads - Grants to States *</i>	10.665	170-904	5,898
Total Passed Through State Department of Education			<u>2,883,467</u>
Total U. S. Department of Agriculture			<u>2,883,467</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,870,013</u>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

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## **WILLIS INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2015**

#### 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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**WILLIS INDEPENDENT SCHOOL DISTRICT***SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2015*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 6,535,394
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 1,433,352

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