

*ANNUAL FINANCIAL REPORT*

of the

**WILLIS INDEPENDENT  
SCHOOL DISTRICT**

For the Year Ended  
August 31, 2013

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# **WILLIS INDEPENDENT SCHOOL DISTRICT**

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## *INTRODUCTORY SECTION*

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CERTIFICATE OF BOARD

Willis Independent School District  
Name of school district

Montgomery  
County

170-904  
Co. Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2013, at a meeting of the board of trustees of such school district on the 15 day of January, 2014.

  
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, 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, 2013, 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, business-type activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section 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 financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and schedules labeled "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP  
*Certified Public Accountants*  
Houston, Texas  
December 30, 2013

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

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# **WILLIS INDEPENDENT SCHOOL DISTRICT**

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

**For the Year Ended August 31, 2013**

This discussion and analysis of Willis Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2013. It should be read in conjunction with the District's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The District's total combined net position at August 31, 2013 was \$28,653,807.
- For the fiscal year ended August 31, 2013, the District's general fund reported a total fund balance of \$18,182,166, of which \$9,648,000 is assigned for construction and other purposes, \$880 is nonspendable in the form of inventory, and \$8,533,286 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 \$21,700,576.

### **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.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as an agent for the benefit of others, to whom the fiduciary resources belong. This fund includes the student activity fund.

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

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

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

**For the Year Ended August 31, 2013**

- 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.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for the student activity fund. The District is responsible for ensuring that the assets reported in this fund are used for their intended purposes. All of the District's fiduciary activities reported in this fund are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

# WILLIS INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2013

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$28,653,807 at August 31, 2013. Table 1 focuses on net position while Table 2 shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2013. Table 1 indicates the overall condition of the District increased, which was caused by a net positive operating result. Table 2 reflects the District reporting additional property tax revenue as a result of increases to assessed property valuations within the District.

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

Description	Governmental Activities		Total Dollar Change 2013-2012	Business-Type Activities	
	2013	2012		2013	2012
Current assets	\$ 31,668,884	\$ 28,176,917	\$ 3,491,967	\$ 267,913	\$ 242,760
Capital assets	84,237,230	86,547,853	(2,310,623)	-	-
Restricted assets	20,000	20,000	-	-	-
<b>Total Assets</b>	<b>115,926,114</b>	<b>114,744,770</b>	<b>1,181,344</b>	<b>267,913</b>	<b>242,760</b>
Deferred charge on refunding	1,212,849	1,312,039	(99,190)	-	-
Current liabilities	7,113,818	6,369,487	744,331	1,015	144
Long-term liabilities	81,638,235	83,400,926	(1,762,691)	-	-
<b>Total Liabilities</b>	<b>88,752,053</b>	<b>89,770,413</b>	<b>(1,018,360)</b>	<b>1,015</b>	<b>144</b>
Net Position:					
Net investment in capital assets	2,598,995	3,146,927	(547,932)	-	-
Restricted	3,518,410	2,410,749	1,107,661	-	-
Unrestricted	22,269,504	20,728,720	1,540,784	266,898	242,616
<b>Total Net Position</b>	<b>\$ 28,386,909</b>	<b>\$ 26,286,396</b>	<b>\$ 2,100,513</b>	<b>\$ 266,898</b>	<b>\$ 242,616</b>

# WILLIS INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2013

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

	Governmental Activities		Total Change	Business-Type Activities	
	2013	2012	2013-2012	2013	2012
Revenues:					
Program Revenues:					
Charges for services	\$ 1,060,002	\$ 1,063,973	\$ (3,971)	\$ 90,227	\$ 88,700
Operating grants and contributions	5,674,375	6,491,174	(816,799)	-	-
General Revenues:					
Property taxes	31,229,679	28,819,079	2,410,600	-	-
State aid - formula grants	19,843,368	20,861,163	(1,017,795)	-	-
Grants & contributions not restricted	2,024,500	1,032,587	991,913	-	-
Investment earnings	56,505	72,535	(16,030)	-	-
Miscellaneous	1,448,646	1,468,314	(19,668)	-	-
Transfers	20,000	-	20,000	(20,000)	-
<b>Total Revenue</b>	<b>61,357,075</b>	<b>59,808,825</b>	<b>1,548,250</b>	<b>70,227</b>	<b>88,700</b>
Expenses:					
Instruction	30,028,396	29,273,479	754,917	-	-
Instructional resources & media services	670,650	798,878	(128,228)	-	-
Curriculum and staff development	842,334	661,892	180,442	-	-
Instructional leadership	205,837	205,343	494	-	-
School leadership	3,301,015	3,225,169	75,846	-	-
Guidance, counseling & evaluation services	1,783,620	1,743,694	39,926	-	-
Social work/health services	679,190	690,190	(11,000)	-	-
Student transportation	3,121,557	2,554,597	566,960	-	-
Food services	3,681,679	3,673,096	8,583	-	-
Co-curricular/extracurricular activities	1,736,970	1,793,991	(57,021)	-	-
General administration	1,472,327	1,413,628	58,699	-	-
Plant maintenance and operations	6,197,123	6,431,230	(234,107)	-	-
Security and monitoring	446,318	601,216	(154,898)	-	-
Data processing services	248,716	284,109	(35,393)	-	-
Community services	48,920	44,348	4,572	45,945	53,871
Debt service - interest on long-term debt	4,547,517	4,351,716	195,801	-	-
Other intergovernmental charges	244,393	215,820	28,573	-	-
<b>Total Expenses</b>	<b>59,256,562</b>	<b>57,962,396</b>	<b>1,294,166</b>	<b>45,945</b>	<b>53,871</b>
<b>Change in Net Position</b>	<b>2,100,513</b>	<b>1,846,429</b>	<b>\$ 254,084</b>	<b>24,282</b>	<b>34,829</b>
Beginning net position	26,286,396	24,439,967		242,616	207,787
<b>Ending Net Position</b>	<b>\$ 28,386,909</b>	<b>\$ 26,286,396</b>		<b>\$ 266,898</b>	<b>\$ 242,616</b>

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2013, the District's governmental funds reported a combined fund balance of \$21,700,576. This compares to a combined fund balance of \$18,920,102 at August 31, 2012. The fund balance in the general fund increased primarily due to an increase in property tax revenue as a result of an increase in the appraised values of properties within the District. The debt service fund reported a net increase in fund balance of \$373,855 due to an increase in property tax revenues, offset by scheduled debt service payments.

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

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

**For the Year Ended August 31, 2013**

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service 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, 2013, the District amended its budget as required by State law to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues exceeded budgeted revenues by \$1,176,960 mainly due to a larger amount of local revenue than anticipated. Budgeted expenditures exceeded actual expenditures by \$1,290,805 as a result positive budget variances across all functions.

### **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, 2013, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2013, the District had a total of \$125,041,349 invested in capital assets such as land, buildings, and District equipment. This total includes \$932,442 invested during the fiscal year ended August 31, 2013.

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 \$71,423,954 in general obligation bonds outstanding versus \$75,583,954 last year. The decrease is due to annual principal payments during the year totaling \$4,160,000.

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's budgeted expenditures for the 2013-2014 school year total \$47,151,430 and the District's Board of Trustees adopted a Maintenance and Operations tax rate of \$1.04 and an Interest and Sinking rate of \$0.35 for a combined rate of \$1.39.

### **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 - EXHIBIT A-1

August 31, 2013

Data Control Codes		1 Governmental Activities	2 Business-Type Activities	Total
	<b><u>Assets</u></b>			
1110	Cash and cash equivalents	\$ 28,507,445	\$ 267,913	\$ 28,775,358
1120	Current investments	1,359,510	-	1,359,510
1220	Property taxes receivable (delinquent)	2,028,622	-	2,028,622
1230	Allowance for uncollectible taxes	(613,680)	-	(613,680)
1240	Due from other governments	213,278	-	213,278
1290	Other receivables (net)	172,829	-	172,829
1300	Inventories	880	-	880
		<u>31,668,884</u>	<u>267,913</u>	<u>31,936,797</u>
	Capital assets:			
1510	Land	3,678,425	-	3,678,425
1520	Buildings, net	76,219,946	-	76,219,946
1530	Furniture and equipment, net	1,336,197	-	1,336,197
1540	Vehicles, net	3,002,662	-	3,002,662
		<u>84,237,230</u>	<u>-</u>	<u>84,237,230</u>
1800	Restricted assets	20,000	-	20,000
1000	<b>Total Assets</b>	<u>115,926,114</u>	<u>267,913</u>	<u>116,194,027</u>
	<b><u>Deferred Outflows of Resources</u></b>			
	Deferred charge on refunding	1,212,849	-	1,212,849
	<b><u>Liabilities</u></b>			
2110	Accounts payable	2,939,573	-	2,939,573
2140	Interest payable	450,311	-	450,311
2150	Payroll deductions and withholdings payable	56,390	-	56,390
2160	Accrued wages payable	1,992,864	1,015	1,993,879
2300	Unearned revenues	1,674,680	-	1,674,680
		<u>7,113,818</u>	<u>1,015</u>	<u>7,114,833</u>
	Noncurrent liabilities:			
2501	Long-term liabilities due within one year	4,895,000	-	4,895,000
2502	Long-term liabilities due in more than one year	76,743,235	-	76,743,235
		<u>81,638,235</u>	<u>-</u>	<u>81,638,235</u>
2000	<b>Total Liabilities</b>	<u>88,752,053</u>	<u>1,015</u>	<u>88,753,068</u>
	<b><u>Net Position</u></b>			
3200	Net investment in capital assets	2,598,995	-	2,598,995
	Restricted for:			
3850	Debt service	773,783	-	773,783
3890	Other purposes	2,744,627	-	2,744,627
3900	Unrestricted	22,269,504	266,898	22,536,402
3000	<b>Total Net Position</b>	<u>\$ 28,386,909</u>	<u>\$ 266,898</u>	<u>\$ 28,653,807</u>
		1	1	1

See Notes to Financial Statements.

# WILLIS INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2013

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
	<b>Governmental Activities</b>				
11	Instruction	\$ 30,028,396	\$ -	\$ 2,213,146	\$ (27,815,250)
12	Instructional resources				
12	and media services	670,650	-	-	(670,650)
13	Curriculum and instructional				
13	staff development	842,334	-	245,897	(596,437)
21	Instructional leadership	205,837	-	72,751	(133,086)
23	School leadership	3,301,015	-	100,976	(3,200,039)
31	Guidance, counseling,				
31	and evaluation services	1,783,620	-	237,814	(1,545,806)
32	Social work services	80,839	-	-	(80,839)
33	Health services	598,351	-	912	(597,439)
34	Student transportation	3,121,557	-	-	(3,121,557)
35	Food services	3,681,679	1,060,002	2,802,879	181,202
36	Extracurricular activities	1,736,970	-	-	(1,736,970)
41	General administration	1,472,327	-	-	(1,472,327)
51	Plant maintenance and operations	6,197,123	-	-	(6,197,123)
52	Security and monitoring services	446,318	-	-	(446,318)
53	Data processing services	248,716	-	-	(248,716)
61	Community services	48,920	-	-	(48,920)
72	Interest on long term debt	4,547,517	-	-	(4,547,517)
95	Payments to JJAEP	7,820	-	-	(7,820)
99	Other intergovernmental charges	236,573	-	-	(236,573)
TGA	<b>Total Governmental Activities</b>	<u>59,256,562</u>	<u>1,060,002</u>	<u>5,674,375</u>	<u>(52,522,185)</u>
	<b>Business-Type Activities</b>				
BTA	Early bird child care	45,945	90,227	-	-
TPG	<b>Total Primary Government</b>	<u>\$ 59,302,507</u>	<u>\$ 1,150,229</u>	<u>\$ 5,674,375</u>	<u>(52,522,185)</u>
MT	Property taxes, levied for general purposes				23,698,407
DT	Property taxes, levied for debt service				7,531,272
SF	State aid - formula grants				19,843,368
GC	Grants and contributions not restricted				2,024,500
IE	Investment earnings				56,505
MI	Miscellaneous local and intermediate revenue				1,448,646
	Transfers				20,000
TR			<b>Total General Revenues</b>		<u>54,622,698</u>
CN			<b>Change in Net Position</b>		<u>2,100,513</u>
NB	Beginning net position				<u>26,286,396</u>
NE			<b>Ending Net Position</b>		<u>\$ 28,386,909</u>

See Notes to Financial Statements.

Net (Expense)  
Revenue and  
Changes in Net  
Position

7

Primary Gov.  
Business-Type  
Activities

Total

\$	-	\$ (27,815,250)
	-	(670,650)
	-	(596,437)
	-	(133,086)
	-	(3,200,039)
	-	(1,545,806)
	-	(80,839)
	-	(597,439)
	-	(3,121,557)
	-	181,202
	-	(1,736,970)
	-	(1,472,327)
	-	(6,197,123)
	-	(446,318)
	-	(248,716)
	-	(48,920)
	-	(4,547,517)
	-	(7,820)
	-	(236,573)
	-	(52,522,185)

44,282	44,282
44,282	(52,477,903)

-	23,698,407
-	7,531,272
-	19,843,368
-	2,024,500
-	56,505
-	1,448,646
(20,000)	-
(20,000)	54,602,698
24,282	2,124,795
242,616	26,529,012
\$ 266,898	\$ 28,653,807

# WILLIS INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2013

Data Control Codes		10	50		98
		General	Debt Service	Nonmajor Governmental	Total Governmental Funds
Assets:					
1110	Cash and cash equivalents	\$ 25,160,086	\$ 694,450	\$ 1,077,105	\$ 26,931,641
1220	Property taxes - delinquent	1,581,821	446,801	-	2,028,622
1230	Allowance for uncollectible taxes	(502,051)	(111,629)	-	(613,680)
1240	Due from other governments	7,502	-	205,776	213,278
1260	Due from other funds	13,514	79,333	1,823,796	1,916,643
1290	Other receivables	1,459	-	193	1,652
1300	Inventories	880	-	-	880
1800	Restricted assets	20,000	-	-	20,000
1000	Total Assets	<u>\$ 26,283,211</u>	<u>\$ 1,108,955</u>	<u>\$ 3,106,870</u>	<u>\$ 30,499,036</u>
Liabilities:					
2110	Accounts payable	\$ 1,585,950	\$ -	\$ 156,990	\$ 1,742,940
2150	Payroll deductions payable	56,390	-	-	56,390
2160	Accrued wages payable	1,805,099	-	187,765	1,992,864
2170	Due to other funds	1,903,130	-	13,513	1,916,643
2300	Unearned revenue	1,670,705	-	3,975	1,674,680
2000	Total Liabilities	<u>7,021,274</u>	<u>-</u>	<u>362,243</u>	<u>7,383,517</u>
Deferred Inflows of Resources:					
2310	Unavailable revenue - property taxes	<u>1,079,770</u>	<u>335,172</u>	<u>-</u>	<u>1,414,942</u>
Fund Balances:					
Nonspendable:					
3410	Inventories and prepaids	880	-	-	880
Restricted for:					
3450	Grant funds	-	-	2,744,627	2,744,627
3480	Debt service	-	773,783	-	773,783
Assigned:					
3510	Construction	3,205,000	-	-	3,205,000
3530	Capital expenditures for equipment	3,193,000	-	-	3,193,000
3590	Other assigned fund balance	3,250,000	-	-	3,250,000
Unassigned:					
3600	General fund	8,533,286	-	-	8,533,286
3000	Total Fund Balances	<u>18,182,166</u>	<u>773,783</u>	<u>2,744,627</u>	<u>21,700,576</u>
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 26,283,210</u>	<u>\$ 1,108,955</u>	<u>\$ 3,106,870</u>	<u>\$ 30,499,035</u>

See Notes to Financial Statements.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R**  
August 31, 2013

Total fund balances for governmental funds	\$	21,700,576
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	3,678,425		
Capital assets - depreciable	80,558,805		
			84,237,230

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		1,414,942
---	--	-----------

Internal service funds are used by management to charge the costs of of certain capital assets to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.		1,909,858
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Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest	(450,311)		
Deferred charges on refunding	1,212,849		
Non-current liabilities due in one year	(4,895,000)		
Non-current liabilities due in more than one year	(76,743,235)		
			(80,875,697)

<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>28,386,909</u></b>
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See Notes to Financial Statements.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - EXHIBIT C-2**  
For the Year Ended August 31, 2013

Data Control Codes		General	Debt Service	Nonmajor Governmental	Total Governmental Funds
<b><u>Revenues</u></b>					
5700	Local, intermediate, and out-of-state	\$ 24,197,102	\$ 7,541,125	\$ 1,072,952	\$ 32,811,179
5800	State program revenues	21,768,631	61,281	165,835	21,995,747
5900	Federal program revenues	62,840	-	6,543,658	6,606,498
5020	<b>Total Revenues</b>	<u>46,028,573</u>	<u>7,602,406</u>	<u>7,782,445</u>	<u>61,413,424</u>
<b><u>Expenditures</u></b>					
0011	Instruction	25,354,044	-	2,293,710	27,647,754
0012	Instruction resources				
0012	and media services	379,239	-	207,067	586,306
0013	Curriculum and instructional				
0013	staff development	596,437	-	245,897	842,334
0021	Instructional leadership	133,086	-	72,751	205,837
0023	School leadership	2,871,011	-	100,976	2,971,987
0031	Guidance, counseling,				
0031	and evaluation services	1,539,319	-	237,814	1,777,133
0032	Social work services	79,927	-	912	80,839
0033	Health services	488,642	-	99,520	588,162
0034	Student transportation	3,020,784	-	29,494	3,050,278
0035	Food services	-	-	3,584,847	3,584,847
0036	Extracurricular activities	1,214,650	-	1,176	1,215,826
0041	General administration	1,461,923	-	6,400	1,468,323
0051	Plant maintenance and operations	5,988,444	-	136,789	6,125,233
0052	Security and monitoring services	432,125	-	2,366	434,491
0053	Data processing services	264,736	-	-	264,736
0061	Community services	-	-	48,920	48,920
<b>Debt service:</b>					
0071	Principal	-	4,160,000	-	4,160,000
0072	Interest and fiscal charges	-	3,068,551	-	3,068,551
0081	<b>Capital outlay</b>	287,000	-	-	287,000
<b>Intergovernmental:</b>					
0095	Payments to juvenile justice alternative	7,820	-	-	7,820
0099	Other intergovernmental charges	236,573	-	-	236,573
6030	<b>Total Expenditures</b>	<u>44,355,760</u>	<u>7,228,551</u>	<u>7,068,639</u>	<u>58,652,950</u>
1100	<b>Excess of Revenues Over Expenditures</b>	<u>1,672,813</u>	<u>373,855</u>	<u>713,806</u>	<u>2,760,474</u>
<b><u>Other Financing Sources</u></b>					
7915	Transfers in	-	-	20,000	20,000
7080	<b>Total Other Financing Sources</b>	-	-	20,000	20,000
1200	<b>Net Change in Fund Balances</b>	1,672,813	373,855	733,806	2,780,474
0100	Beginning fund balances	16,509,353	399,928	2,010,821	18,920,102
3000	<b>Ending Fund Balances</b>	<u>\$ 18,182,166</u>	<u>\$ 773,783</u>	<u>\$ 2,744,627</u>	<u>\$ 21,700,576</u>

See Notes to Financial Statements.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES - EXHIBIT C-3**  
For the Year Ended August 31, 2013

Net changes in fund balances - total governmental funds	\$ 2,780,474
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation	(3,073,245)
Capital outlay	762,622

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(76,349)
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal repayments	4,160,000
Amortization of other items	104,977
Accrued interest	(34,357)
Accreted interest	(1,190,247)
Other debt items	(359,339)

Internal service funds are used by management to charge the costs of certain activities, such as health insurance and workers' compensation coverage, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(974,023)
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>2,100,513</u></b>
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See Notes to Financial Statements.

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# WILLIS INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF NET POSITION PROPRIETARY FUNDS - EXHIBIT D-1

August 31, 2013

Data Control Codes		Nonmajor Enterprise Fund Early Bird Child Care	Internal Service Fund
	<b><u>Assets</u></b>		
1110	Cash and cash equivalents	\$ 267,913	\$ 1,575,804
1120	Investments	-	1,359,510
1290	Other receivables	-	171,177
	<b>Total Assets</b>	<u>267,913</u>	<u>3,106,491</u>
	<b><u>Liabilities</u></b>		
	Current liabilities:		
2110	Accounts payable	-	1,196,633
2160	Accrued wages payable	1,015	-
2000	<b>Total Liabilities</b>	<u>1,015</u>	<u>1,196,633</u>
	<b><u>Net Position</u></b>		
3600	Unrestricted	266,898	1,909,858
4000	<b>Total Net Position</b>	<u>\$ 266,898</u>	<u>\$ 1,909,858</u>

See Notes to Financial Statements.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS - EXHIBIT D-2**  
For the Year Ended August 31, 2013

Data Control Dates		Nonmajor Enterprise Fund	
		Early Bird Child Care	Internal Service Fund
	<b><u>Operating Revenues</u></b>		
5700	Local and intermediate sources	\$ 88,042	\$ 4,072,894
5800	State program revenues	2,185	-
5020	<b>Total Operating Revenues</b>	<u>90,227</u>	<u>4,072,894</u>
	<b><u>Operating Expenses</u></b>		
0011	Instruction	4,753	-
0023	School leadership	2,825	-
0041	Other operating costs	1,202	5,046,917
0061	Community services	37,165	-
	<b>Total Operating Expenses</b>	<u>45,945</u>	<u>5,046,917</u>
1100	<b>Operating income (loss)</b>	44,282	(974,023)
	<b><u>Non-operating (Expenses)</u></b>		
8911	Transfers (out)	(20,000)	-
	<b>Total Non-operating (Expenses)</b>	<u>(20,000)</u>	<u>-</u>
1200	<b>Change in Net Position</b>	24,282	(974,023)
0100	Beginning net position	242,616	2,883,881
3000	<b>Ending Net Position</b>	<u>\$ 266,898</u>	<u>\$ 1,909,858</u>

See Notes to Financial Statements.

# WILLIS INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS - EXHIBIT D-3

For the Year Ended August 31, 2013

	Nonmajor Enterprise Fund	
	Early Bird Child Care	Internal Service Funds
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from user charges	\$ 332,987	\$ 5,416,459
Payment for insurance claims	(45,074)	(5,046,917)
Net Cash Provided by Operating Activities	<u>287,913</u>	<u>369,542</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>		
Transfers to other funds	(20,000)	-
Net Cash (Used) by Noncapital Financing Activities	<u>(20,000)</u>	<u>-</u>
Change in Cash and Cash Equivalents	267,913	369,542
Beginning cash and cash equivalents	<u>-</u>	<u>2,565,772</u>
Ending Cash and Cash Equivalents	<u><u>\$ 267,913</u></u>	<u><u>\$ 2,935,314</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ 44,282	\$ (974,023)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
<b>Increase in:</b>		
Intergovernmental receivable	242,760	1,343,565
Accounts payable and accrued liabilities	871	-
Net Cash Provided by Operating Activities	<u><u>\$ 287,913</u></u>	<u><u>\$ 369,542</u></u>

See Notes to Financial Statements.

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# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## ***STATEMENT OF FIDUCIARY NET POSITION***

### ***FIDUCIARY FUNDS - EXHIBIT E-1***

August 31, 2013

		Agency Fund Student Activity Account
<b><u>Assets</u></b>		
Cash and cash equivalents		\$ 523,487
<b>Total Assets</b>		<u>\$ 523,487</u>
<b><u>Liabilities</u></b>		
Current liabilities:		
Accounts payables		\$ 55,352
Due to student groups		468,135
<b>Total Liabilities</b>		<u>\$ 523,487</u>

See Notes to Financial Statements.

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# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

For the Year Ended August 31, 2013

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

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

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

#### **B. Government-Wide Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

#### **C. Basis of Presentation-Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the District's business-type activities and other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2013**

### **D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following governmental funds:

#### **General Fund**

The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund is considered a major fund for reporting purposes.

#### **Debt Service Fund**

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

#### **Special Revenue Funds**

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

#### **Proprietary Fund Types**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow generally accepted accounting principles (GAAP) prescribed by the GASB and all Financial Accounting Standards Board standards issued prior to November 30, 1989. Subsequent to this date, the District accounts for its enterprise funds as presented by GASB.



# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2013**

The proprietary fund types used by the District include the following:

### **Enterprise Fund**

The enterprise fund is 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.

### **Internal Service Fund**

Internal service funds account for services provided to other departments or agencies of the primary government, or to other governments, on a cost reimbursement basis. The District's internal service fund is used to account for workers' compensation and health insurance.

### **Fiduciary Funds**

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District has the following type of fiduciary funds:

#### **Agency Funds**

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

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

For the Year Ended August 31, 2013

### **E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

#### **1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

#### **2. Investments**

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the District reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2013**

reported using the pools' share price.

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

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

### **3. Receivables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statement.

Advances between funds are offset by a fund balance reserve account in an applicable governmental fund to indicate that they are not available for appropriation and are not expendable, available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

### **4. Restricted Assets**

Certain resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable contractual agreements. Restricted assets of the general fund are restricted by a contractual agreement related to an annuity certificate.

### **5. Capital Assets**

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

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

# WILLIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2013

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

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

### 6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies 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.

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

### 7. Long-Term Obligations

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

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

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

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

For the Year Ended August 31, 2013

### **8. 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.

### **9. 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.

### **10. Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Trustees (the "Board") is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### **11. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

For the Year Ended August 31, 2013

and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### **12. Data Control Codes**

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

## **G. Revenue and Expenditures/Expenses**

### **1. Program Revenues**

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

### **2. Property Taxes**

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

Property taxes attach as an enforceable lien on property as of January 1 each year. District property tax revenues are recognized when collected.

### **3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and internal service fund are charges to customers for sales and services. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year.

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

For the Year Ended August 31, 2013

### **III. DETAILED NOTES ON ALL FUNDS**

#### **A. Deposits and Investments**

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires funds on deposit at the depository bank to be collateralized. As of August 31, 2013, checking and time deposits were entirely insured or collateralized with securities as provided by state laws and regulations and FDIC insurance.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has invested \$28,158,193 in investment pools at year end, which included First Public (Lone Star), TexSTAR, and TexPool.

*Credit Risk.* This 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.

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

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

# WILLIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2013

### B. Capital Assets

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

	Beginning Balances	Increases	(Decreases)	Ending Balances
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,678,425	\$ -	\$ -	\$ 3,678,425
Total capital assets not being depreciated	<u>3,678,425</u>	<u>-</u>	<u>-</u>	<u>3,678,425</u>
Other capital assets:				
Buildings and improvements	111,543,704	25,400	-	111,569,104
Equipment	1,987,313	419,247	-	2,406,560
Vehicles	7,069,285	487,795	(169,820)	7,387,260
Total other capital assets	<u>120,600,302</u>	<u>932,442</u>	<u>(169,820)</u>	<u>121,362,924</u>
Less accumulated depreciation for:				
Buildings and improvements	(32,778,292)	(2,570,866)	-	(35,349,158)
Equipment	(1,028,668)	(41,695)	-	(1,070,363)
Vehicles	(3,923,914)	(630,504)	169,820	(4,384,598)
Total accumulated depreciation	<u>(37,730,874)</u>	<u>(3,243,065)</u>	<u>169,820</u>	<u>(40,804,119)</u>
Other capital assets, net	82,869,428	(2,310,623)	-	80,558,805
<b>Totals</b>	<u>\$ 86,547,853</u>	<u>\$ (2,310,623)</u>	<u>\$ -</u>	<u>\$ 84,237,230</u>

Depreciation was charged to governmental functions as follows:

11	Instruction	\$ 1,428,798
12	Instructional resources & media services	84,344
23	School leadership	329,028
31	Guidance, counseling & evaluation services	6,487
33	Health services	10,189
34	Student (pupil) transportation	589,750
35	Food service	114,231
36	Cocurricular/extracurricular activities	530,224
41	General administration	4,004
51	Plant maintenance and operations	117,003
52	Security and monitoring	11,827
53	Data processing services	17,180
	<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 3,243,065</u>



# WILLIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2013

### C. Long-Term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Governmental Activities:</b>					
Bonds payables:					
Series 1998	\$ 4,335,076	\$ -	\$ -	\$ 4,335,076	\$ -
Series 2001	1,383,878	-	-	1,383,878	-
Series 2001A	320,000	-	(75,000)	245,000	80,000
Series 2002	535,000	-	(30,000)	505,000	35,000
Series 2005	17,105,000	-	(2,050,000)	15,055,000	2,140,000
Series 2007	12,530,000	-	(610,000)	11,920,000	635,000
Series 2008	13,310,000	-	(630,000)	12,680,000	655,000
Series 2008A	6,540,000	-	(240,000)	6,300,000	250,000
Series 2010	13,365,000	-	(470,000)	12,895,000	780,000
Series 2012	6,160,000	-	(55,000)	6,105,000	320,000
	<u>75,583,954</u>	<u>-</u>	<u>(4,160,000)</u>	<u>71,423,954</u>	<u>4,895,000</u>
Other Liabilities:					
Accreted interest on CAB	7,540,068	1,190,247	-	8,730,315	-
Premiums	1,588,943	-	(104,977)	1,483,966	-
<b>Total Governmental Activities</b>	<u>\$ 84,712,965</u>	<u>\$ 1,190,247</u>	<u>\$ (4,264,977)</u>	<u>\$ 81,638,235</u>	<u>\$ 4,895,000</u>
<b>Long-term liabilities due in more than one year</b>				<u>\$ 76,743,235</u>	

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Interest rates on bonds range from two percent to 8.7 percent.

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

Year Ended August 31	Principal	Interest	Total Requirements
2014	\$ 4,895,000	\$ 3,537,399	\$ 8,432,399
2015	5,306,660	3,130,967	8,437,627
2016	5,250,020	3,180,061	8,430,081
2017	3,404,507	4,798,779	8,203,286
2018	4,041,065	4,136,149	8,177,214
2019-2023	23,236,702	15,087,597	38,324,299
2024-2028	18,975,000	3,259,728	22,234,728
2029-2033	6,315,000	507,844	6,822,844
	<u>\$ 71,423,954</u>	<u>\$ 37,638,524</u>	<u>\$ 109,062,478</u>

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

For the Year Ended August 31, 2013

### **Prior Year Defeasance of Debt**

In prior years, the District defeased unlimited tax schoolhouse bonds, series 2001 by placing the proceeds of new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2013, \$524,450 of defeased bonds remain outstanding.

### **D. Interfund Transactions**

The interfund balances and transfers were as follows:

<b><u>Due To</u></b>	<b><u>Due from</u></b>	<b><u>Amount</u></b>	<b><u>Purpose</u></b>
General	Nonmajor special revenue	\$ 13,514	Advances
Debt service	General	79,333	Advances
Nonmajor special revenue	General	1,823,796	Advances
		<u>\$ 1,916,643</u>	

  

<b><u>Transfers From</u></b>	<b><u>Transfers To</u></b>	<b><u>Amount</u></b>	<b><u>Purpose</u></b>
Nonmajor special revenue	Enterprise	<u>\$ 20,000</u>	To supplement other fund sources

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

## **IV. OTHER INFORMATION**

### **A. Risk Management**

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

### **B. Contingent Liabilities**

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

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

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2013**

interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. Although the District does not anticipate that it will have any material arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

### **C. Pension Plan**

#### **Teacher Retirement System**

##### **Plan Description**

The District contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. TRS provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. TRS operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for TRS. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

##### **Funding Policy**

Under provisions in State law, plan members are required to contribute 6.4 percent of their annual covered salary and the State of Texas contributes an amount equal to 6.58 percent of the District's covered payroll. The District's employees' contributions to the TRS for the years ending August 31, 2013, 2012, and 2011 were \$2,125,042, \$2,053,803 and \$2,143,310, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2013, 2012, 2011 were \$415,118, \$377,395, and \$397,290, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$1,933,634 for the year ending August 31, 2013.

### **D. Retiree Health Care Plan**

##### **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 TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the TRS. 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 web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2013**

writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

### **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. The State of Texas and active public school employee contribution rates were one percent and 0.65 percent of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55 percent for fiscal years 2013, 2012, and 2011. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$12,701, \$31,997, and \$21,859, respectively; the active member contributions were \$215,825, \$208,590, and \$217,680, respectively; and the District's contributions were \$182,621, \$176,499, and \$184,191, respectively; which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$87,291, \$82,556, and \$77,420, respectively.

### **E. Employee Health Care Coverage**

During the year ended August 31, 2013, 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 Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

### **F. Workers' Compensation Insurance**

During the year ended August 31, 2013, 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 Cooperation 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 and their 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. 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. For the year ended August 31, 2013, the Fund anticipates no additional liability to members

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2013**

beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

### **G. Unemployment Compensation**

During the year ended August 31, 2013, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Funds' Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

### **H. Shared Services Arrangements**

The District participates in the following shared services arrangements (SSA):

#### **State Supplementary Visually Impaired Fund**

The District participates in a 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 shared service arrangements 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 an 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 shared services arrangement.

#### **ESEA, Title II, Part D – Enhancing Education Through Technology**

The District participates in a 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 new equity interest in the fiscal agent. The fiscal agent is neither

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2013**

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 shared services arrangement.

### **ESEA, Title IV – Safe and Drug-free School and Communities Act**

The District participates in a SSA to be used to develop age-appropriate comprehensive violence and drug/alcohol education prevention program. 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 new 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 shared services arrangement.

***REQUIRED SUPPLEMENTARY INFORMATION***

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL -**  
**GENERAL FUND - EXHIBIT G-1**  
For the Year Ended August 31, 2013

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<b>Revenues</b>				
5700	Local and intermediate sources	\$ 23,175,475	\$ 23,214,105	\$ 24,197,102	\$ 982,997
5800	State program revenues	21,557,871	21,557,531	21,768,631	211,100
5900	Federal program revenues	79,977	79,977	62,840	(17,137)
5020	<b>Total Revenues</b>	<u>44,813,323</u>	<u>44,851,613</u>	<u>46,028,573</u>	<u>1,176,960</u>
	<b>Expenditures</b>				
0011	Instruction	25,064,053	25,621,387	25,354,044	267,343
0012	Instructional resources and				
0012	media services	472,069	472,165	379,239	92,926
0013	Curriculum and instructional				
0013	staff development	667,490	667,490	596,437	71,053
0021	Instructional leadership	136,408	136,408	133,086	3,322
0023	School leadership	2,854,290	2,879,194	2,871,011	8,183
0031	Guidance, counseling and				
0031	evaluation services	1,575,989	1,600,989	1,539,319	61,670
0032	Social work services	94,101	94,101	79,927	14,174
0033	Health services	501,970	501,970	488,642	13,328
0034	Student transportation	2,822,669	3,311,669	3,020,784	290,885
0036	Extracurricular activities	1,354,634	1,354,634	1,214,650	139,984
0041	General administration	1,547,405	1,547,405	1,461,923	85,482
0051	Facilities maintenance and operations	6,713,712	6,145,620	5,988,444	157,176
0052	Security and monitoring services	484,537	484,537	432,125	52,412
0053	Data processing services	264,996	264,996	264,736	260
0081	<b>Capital Outlay</b>	-	300,000	287,000	13,000
	<b>Intergovernmental</b>				
0095	Payments to JJAEP	25,000	25,000	7,820	17,180
0099	Other intergovernmental charges	234,000	239,000	236,573	2,427
6030	<b>Total Expenditures</b>	<u>44,813,323</u>	<u>45,646,565</u>	<u>44,355,760</u>	<u>1,290,805</u>
1100	<b>Excess of Revenues Over Expenditures</b>	<u>-</u>	<u>(794,952)</u>	<u>1,672,813</u>	<u>2,467,765</u>
1200	<b>Net Change in Fund Balance</b>	-	(794,952)	1,672,813	2,467,765
0100	Beginning fund balance	16,509,353	16,509,353	16,509,353	-
3000	<b>Ending Fund Balances</b>	<u>\$ 16,509,353</u>	<u>\$ 15,714,401</u>	<u>\$ 18,182,166</u>	<u>\$ 2,467,765</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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*OTHER SUPPLEMENTARY  
INFORMATION*

# WILLIS INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 1 of 3)

August 31, 2013

		211	224	225	240
Data					National
Control		ESEA Title 1	IDEA B	IDEA B	School
Codes		Part A	Formula	Preschool	Breakfast and
				Grant	Lunch Program
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 277	\$ 3,731	\$ -	\$ 1,047,997
1240	Due from other governments	52,195	47,953	828	69,886
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1000	Total Assets	<u>\$ 52,472</u>	<u>\$ 51,684</u>	<u>\$ 828</u>	<u>\$ 1,117,883</u>
<u>Liabilities</u>					
2110	Accounts payable	\$ 259	\$ 1,765	\$ -	\$ 131,101
2160	Accrued wages payable	52,213	49,919	828	72,968
2170	Due to other funds	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	<u>52,472</u>	<u>51,684</u>	<u>828</u>	<u>204,069</u>
<u>Fund Balances</u>					
3450	Restricted for grant restrictions	-	-	-	913,814
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>913,814</u>
4000	Total Liabilities and Fund Balances	<u>\$ 52,472</u>	<u>\$ 51,684</u>	<u>\$ 828</u>	<u>\$ 1,117,883</u>

243 Career and Technical Technical Preparation	244 Career and Technical Basic Grant	255 ESEA, Title II, Part A Teacher and Principal Trn.	263 Title III, Part A - Eng. Language Acq. and Lang. Enh.	272 Medicaid Admin Claim Program	288 Federally Funded Special Revenue
\$ 3,793	\$ -	\$ -	\$ -	\$ -	\$ 136
-	-	19,046	13,167	-	-
-	-	-	-	133,429	-
-	193	-	-	-	-
<u>\$ 3,793</u>	<u>\$ 193</u>	<u>\$ 19,046</u>	<u>\$ 13,167</u>	<u>\$ 133,429</u>	<u>\$ 136</u>
\$ -	\$ -	\$ 1,000	\$ 10,966	\$ -	\$ -
-	-	6,657	822	-	-
-	193	11,389	1,379	-	-
3,793	-	-	-	-	136
<u>3,793</u>	<u>193</u>	<u>19,046</u>	<u>13,167</u>	<u>-</u>	<u>136</u>
-	-	-	-	133,429	-
-	-	-	-	133,429	-
<u>\$ 3,793</u>	<u>\$ 193</u>	<u>\$ 19,046</u>	<u>\$ 13,167</u>	<u>\$ 133,429</u>	<u>\$ 136</u>

# WILLIS INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 3)

August 31, 2013

		289	385	393	397
Data			State		
Control			Supplemental	Texas	Advanced
Codes		Medicare	Vision	Successful	Placement
		Reimb.	Impaired	Schools	Initiatives
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 340	\$ -	\$ 725	\$ 13,592
1240	Due from other governments	-	-	-	-
1260	Due from other funds	1,690,367	-	-	-
1290	Other receivables	-	-	-	-
1000	Total Assets	<u>\$ 1,690,707</u>	<u>\$ -</u>	<u>\$ 725</u>	<u>\$ 13,592</u>
<u>Liabilities</u>					
2110	Accounts payable	\$ 3,672	\$ -	\$ -	\$ -
2160	Accrued wages payable	4,358	-	-	-
2170	Due to other funds	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	<u>8,030</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>					
3450	Restricted for grant restrictions	1,682,677	-	725	13,592
3000	Total Fund Balances	<u>1,682,677</u>	<u>-</u>	<u>725</u>	<u>13,592</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,690,707</u>	<u>\$ -</u>	<u>\$ 725</u>	<u>\$ 13,592</u>

404	410	423	429	495	499
Student Success Initiative	State Textbook Fund	LEP Student Succ. Initiative	State Funded Special Revenue	State Funded Special Revenue	State Funded Special Revenue
\$ -	\$ 46	\$ 230	\$ 159	\$ 1	\$ 6,078
2,701	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,701</u>	<u>\$ 46</u>	<u>\$ 230</u>	<u>\$ 159</u>	<u>\$ 1</u>	<u>\$ 6,078</u>
\$ 2,149	\$ -	\$ -	\$ -	\$ -	\$ 6,078
-	-	-	-	-	-
552	-	-	-	-	-
-	46	-	-	-	-
<u>2,701</u>	<u>46</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,078</u>
-	-	230	159	1	-
-	-	230	159	1	-
<u>\$ 2,701</u>	<u>\$ 46</u>	<u>\$ 230</u>	<u>\$ 159</u>	<u>\$ 1</u>	<u>\$ 6,078</u>

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# WILLIS INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 3 of 3)

August 31, 2013

<u>Data Control Codes</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 1,077,105
1240	Due from other governments	205,776
1260	Due from other funds	1,823,796
1290	Other receivables	193
1000	<b>Total Assets</b>	<u>\$ 3,106,870</u>
	<u>Liabilities</u>	
2110	Accounts payable	\$ 156,990
2160	Accrued wages payable	187,765
2170	Due to other funds	13,513
2300	Unearned revenue	3,975
2000	<b>Total Liabilities</b>	<u>362,243</u>
	<u>Fund Balances</u>	
3450	Restricted for grant restrictions	2,744,627
3000	<b>Total Fund Balances</b>	<u>2,744,627</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,106,870</u>

# WILLIS INDEPENDENT SCHOOL DISTRICT

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 1 of 3)

For the Year Ended August 31, 2013

		211	224	225	240
Data					National
Control		ESEA Title 1	IDEA B	IDEA B	School
Codes		Part A	Formula	Preschool	Breakfast and
				Grant	Lunch Program
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ 1,060,002
5800	State program revenues	-	-	-	20,936
5900	Federal program revenues	1,201,477	1,157,735	26,139	2,781,943
5020	Total Revenues	1,201,477	1,157,735	26,139	3,862,881
<u>Expenditures</u>					
Current:					
0011	Instruction	857,439	879,044	26,139	-
0012	Instruction resources				
0012	and media services	207,067	-	-	-
0013	Curriculum and instructional				
0013	staff development	113,043	5,610	-	-
0021	Instructional leadership	-	62,107	-	-
0023	School leadership	9,290	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	194,438	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food services	-	-	-	3,572,568
0036	Extracurricular activities	-	1,176	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	120,000
0052	Security and monitoring services	-	-	-	-
0061	Community services	14,638	15,360	-	-
6030	Total Expenditures	1,201,477	1,157,735	26,139	3,692,568
<u>Other Financing Sources</u>					
7915	Transfers in	-	-	-	-
	Total Other Financing Sources	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	170,313
0100	Beginning fund balances	-	-	-	743,501
3000	Ending Fund Balances	\$ -	\$ -	\$ -	\$ 913,814

243 Career and Technical Technical Preparation	244 Career and Technical Basic Grant	255 ESEA, Title II, Part A Teacher and Principal Trn.	263 Title III, Part A - Eng. Language Acq. and Lang. Enh.	272 Medicaid Admin Claim Program	288 Federally Funded Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	82,478	64,581	141,702	19,463	-
-	82,478	64,581	141,702	19,463	-
-	78,350	-	91,276	-	-
-	-	-	-	-	-
-	2,024	61,881	47,179	-	-
-	-	-	-	-	-
-	-	2,700	600	-	-
-	2,104	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,647	-	-
-	82,478	64,581	141,702	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	19,463	-
-	-	-	-	113,966	-
\$ -	\$ -	\$ -	\$ -	\$ 133,429	\$ -

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 2 of 3)**  
For the Year Ended August 31, 2013

		289	385	393	397
Data			State		
Control		Medicare	Supplemental	Texas	Advanced
Codes		Reimb.	Vision	Successful	Placement
			Impaired	Schools	Initiatives
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	6,186	4,550	-	250
5900	Federal program revenues	1,068,140	-	-	-
5020	Total Revenues	1,074,326	4,550	-	250
<u>Expenditures</u>					
Current:					
0011	Instruction	194,281	4,550	-	-
0012	Instruction resources				
0012	and media services	-	-	-	-
0013	Curriculum and instructional				
0013	staff development	4,649	-	-	-
0021	Instructional leadership	10,644	-	-	-
0023	School leadership	87,531	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	41,272	-	-	-
0032	Social work services	912	-	-	-
0033	Health services	99,520	-	-	-
0034	Student transportation	29,494	-	-	-
0035	Food services	12,279	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	6,400	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	2,366	-	-	-
0061	Community services	16,275	-	-	-
6030	Total Expenditures	505,623	4,550	-	-
<u>Other Financing Sources</u>					
7915	Transfers in	-	-	-	-
	Total Other Financing Sources	-	-	-	-
1200	Net Change in Fund Balances	568,703	-	-	250
0100	Beginning fund balances	1,113,974	-	725	13,342
3000	Ending Fund Balances	\$ 1,682,677	\$ -	\$ 725	\$ 13,592

404	410	423	429	495	499
Student Success Initiative	State Textbook Fund	LEP Student Succ. Initiative	State Funded Special Revenue	State Funded Special Revenue	State Funded Special Revenue
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,950
21,157	112,680	-	76	-	-
-	-	-	-	-	-
21,157	112,680	-	76	-	12,950
21,157	95,891	-	-	24,999	20,584
-	-	-	-	-	-
-	-	-	-	-	11,511
-	-	-	-	-	-
-	-	-	-	-	855
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	16,789	-	-	-	-
-	-	-	-	-	-
21,157	112,680	-	-	24,999	32,950
-	-	-	-	-	20,000
-	-	-	-	-	20,000
-	-	-	76	(24,999)	-
-	-	230	83	25,000	-
\$ -	\$ -	\$ 230	\$ 159	\$ 1	\$ -

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 3 of 3)**  
**For the Year Ended August 31, 2013**

<u>Data Control Codes</u>		<u>Total Nonmajor Governmental Funds</u>
	<b><u>Revenues</u></b>	
5700	Local, intermediate, and out-of-state	\$ 1,072,952
5800	State program revenues	165,835
5900	Federal program revenues	6,543,658
5020	<b>Total Revenues</b>	<u>7,782,445</u>
	<b><u>Expenditures</u></b>	
	Current:	
0011	Instruction	2,293,710
0012	Instruction resources	
0012	and media services	207,067
0013	Curriculum and instructional	
0013	staff development	245,897
0021	Instructional leadership	72,751
0023	School leadership	100,976
0031	Guidance, counseling, and	
0031	evaluation services	237,814
0032	Social work services	912
0033	Health services	99,520
0034	Student transportation	29,494
0035	Food services	3,584,847
0036	Extracurricular activities	1,176
0041	General administration	6,400
0051	Plant maintenance and operations	136,789
0052	Security and monitoring services	2,366
0061	Community services	48,920
6030	<b>Total Expenditures</b>	<u>7,068,639</u>
	<b><u>Other Financing Sources</u></b>	
7915	Transfers in	20,000
	<b>Total Other Financing Sources</b>	<u>20,000</u>
1200	<b>Net Change in Fund Balances</b>	733,806
0100	Beginning fund balances	<u>2,010,821</u>
3000	<b>Ending Fund Balances</b>	<u><u>\$ 2,744,627</u></u>

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1**  
For the Year Ended August 31, 2013

Last Ten Years	1		2		3
	Tax Rates				Net Assessed/ Appraised Value For School Tax Purposes
	Maintenance		Debt Service		
2004 and prior	\$	Various	\$	Various	\$ Various
2005	\$	1.4600	\$	0.2750	\$ 1,171,073,540
2006	\$	1.4800	\$	0.2550	\$ 1,289,843,686
2007	\$	1.3520	\$	0.2500	\$ 1,477,384,400
2008	\$	1.0260	\$	0.2800	\$ 1,702,594,002
2009	\$	1.0400	\$	0.3300	\$ 1,893,505,781
2010	\$	1.0400	\$	0.3300	\$ 1,989,547,518
2011	\$	1.0400	\$	0.3300	\$ 1,989,547,518
2012	\$	1.0400	\$	0.3300	\$ 2,081,955,401
2013	\$	1.0400	\$	0.3300	\$ 2,262,200,949
1000 Totals					



10	20	30	30a	40	50
Beginning Balance 8/31/12	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/13
\$ 381,478	\$ -	\$ 12,574	\$ 2,568	\$ (43,179)	\$ 323,157
60,233	-	2,431	458	(642)	56,702
69,432	-	4,399	758	(627)	63,648
84,411	-	9,054	1,674	(511)	73,172
88,481	-	10,919	2,980	(749)	73,833
129,613	-	19,523	6,195	41	103,936
223,037	-	52,013	16,504	4,047	158,567
368,506	-	152,708	48,455	36,502	203,845
603,602	-	231,790	79,380	(2,988)	289,444
-	30,992,153	23,016,842	7,292,993	-	682,318
<u>\$ 2,008,793</u>	<u>\$ 30,992,153</u>	<u>\$ 23,512,253</u>	<u>\$ 7,451,965</u>	<u>\$ (8,106)</u>	<u>\$ 2,028,622</u>

# WILLIS INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COSTS FOR 2014-2015

### GENERAL AND SPECIAL REVENUE FUNDS - EXHIBIT J-2

For the Year Ended August 31, 2013

Account Number		(1) 702	(2) 703	(3) 701
		School Board	Tax Collection	Superintendent's Office
611X-6146	Payroll costs	\$ -	\$ -	\$ 299,156
6149	Fringe benefits (unused leave			
6149	not in functions 41 and 53)	-	-	11,257
6211	Legal services	83,123	-	-
6212	Audit services	-	-	-
6213	Tax appraisal/collection	-	236,573	-
6230	Education service centers	-	-	-
6240	Maintenance and repairs	-	-	-
6260	Rentals	-	-	3,579
6290	Miscellaneous contracts	2,331	-	-
6320	Textbooks and reading	-	-	120
63XX	Other supplies	1,263	-	4,138
6410	Travel, subsistence, and			
6410	stipends	1,034	-	6,127
6420	Insurance and bonding	-	-	-
6430	Election expense	-	-	-
6490	Miscellaneous operating	1,325	-	5,857
<b>Totals</b>		<u>\$ 89,076</u>	<u>\$ 236,573</u>	<u>\$ 330,234</u>

#### Other Information:

**Total expenditures for General and Special Revenue Funds (Exhibit C-3)** (9) \$ 51,424,399

Less: Deductions of unallowed costs:

#### Fiscal Year

Total capital outlay (6600)	(10)	-	
Total debt and lease (6500)	(11)	-	
Plant maintenance (function 51, 6100-6400)	(12)	6,000,594	
Food (function 35, 6341 and 6499)	(13)	1,738,458	
Stipends (6413)	(14)	-	
Column (4) above - total indirect cost		<u>954,755</u>	
Subtotal			8,693,807
		<b>Net Allowable Direct Cost</b>	<u><u>\$ 42,730,592</u></u>

Note A: Function 53 \$ 28,576  
Function 99 \$ 236,573

(4) 750	(5) 720	(6) (Other)	(7)
Indirect Cost	Direct Cost	Miscellaneous	Total
\$ 821,216	\$ -	\$ 47,815	\$ 1,168,187
300	-	-	11,557
-	-	-	83,123
32,000	-	-	32,000
-	-	-	236,573
-	-	2,750	2,750
-	-	7,046	7,046
6,707	-	-	10,286
-	-	12,619	14,950
-	-	521	641
15,717	-	17,041	38,159
-	-	6,300	13,461
20,218	-	-	20,218
44,319	-	-	44,319
14,278	-	22,342	43,802
<u>\$ 954,755</u>	<u>\$ -</u>	<u>\$ 116,434</u>	<u>\$ 1,727,072</u>

#### Cumulative

Total cost of buildings before depreciation (1520)	(15) \$	111,569,104
Historical cost of buildings over 50 years old	(16)	1,768,502
Amount of federal money in building cost (Net of #16)	(17)	-
Total cost of furniture and equipment before depreciation (1530 and 1540)	(18)	7,387,260
Historical cost of furniture and equipment over 16 years old	(19)	-
Amount of federal money in furniture and equipment (Net of #19)	(20)	-

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION SCHEDULE (UNAUDITED)**  
**GENERAL FUND - EXHIBIT J-3**  
**August 31, 2013**

1. Total general fund fund balance at year end (Exhibit C-1 object 3000 for the general fund only)	\$ 18,182,166
2. Total non-spendable fund balance at year end (Exhibit C-1 objects 341x-344x for the general fund only)	880
3. Total restricted fund balance at year end (Exhibit C-1 objects 345x-349x for the general fund only)	-
4. Total committed fund balance at year end (Exhibit C-1 objects 351x-354x for the general fund only)	-
5. Total assigned fund balance at year end (Exhibit C-1 objects 355x-359x for the general fund only)	9,648,000
6. Estimated amount needed to cover fall cash flow deficits in general fund (net of borrowed funds and funds representing deferred revenues)	4,750,632
7. Estimate of two months' average cash disbursements during the regular school session	8,906,381
8. Estimate of delayed payments from state sources (58XX) including August payment delays	-
9. Estimate of underpayments from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	-
10. Estimate of delayed payments from federal sources (59XX)	-
11. Estimate of expenditures to be reimbursed to general fund from capital projects fund (uses of general fund cash after bond referendum and prior to issuance of bonds)	-
12. General fund optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	<u>23,305,893</u>
13. Excess or Deficit Unassigned General Fund Balance (1-12)	<u>\$ (5,123,727)</u>

The District's administration will continue to monitor the general fund balance in the following budgetary cycles to maintain a fund balance level within District policy and State guidelines.

**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-4**  
For the Year Ended August 31, 2013

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<b>Revenues</b>				
5700	Local and intermediate sources	\$ 1,104,405	\$ 1,104,405	\$ 1,060,002	\$ (44,403)
5800	State program revenues	93,208	93,208	20,936	(72,272)
5900	Federal program revenues	2,704,198	2,704,198	2,781,943	77,745
5020	<b>Total Revenues</b>	<u>3,901,811</u>	<u>3,901,811</u>	<u>3,862,881</u>	<u>(38,930)</u>
	<b>Expenditures</b>				
	Current:				
0035	Food services	3,901,811	3,781,811	3,572,568	209,243
0051	Facilities maintenance				
0051	and Operations	-	120,000	120,000	-
6030	<b>Total Expenditures</b>	<u>3,901,811</u>	<u>3,901,811</u>	<u>3,692,568</u>	<u>209,243</u>
1100	<b>Excess of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>170,313</u>	<u>170,313</u>
1200	<b>Net Change in Fund Balances</b>	<u>-</u>	<u>-</u>	<u>170,313</u>	<u>170,313</u>
0100	Beginning fund balances	743,501	743,501	743,501	-
3000	<b>Ending Fund Balances</b>	<u>\$ 743,501</u>	<u>\$ 743,501</u>	<u>\$ 913,814</u>	<u>\$ 170,313</u>

# WILLIS INDEPENDENT SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE

### DEBT SERVICE FUND - EXHIBIT J-5

For the Year Ended August 31, 2013

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<b>Revenues</b>				
5700	Local and intermediate sources	\$ 7,240,572	\$ 7,240,572	\$ 7,541,125	\$ 300,553
5800	State program revenues	30,410	30,410	61,281	30,871
5020	<b>Total Revenues</b>	<u>7,270,982</u>	<u>7,270,982</u>	<u>7,602,406</u>	<u>331,424</u>
	<b>Expenditures</b>				
	Current:				
0071	Principal	4,160,000	4,160,000	4,160,000	-
0072	Interest and fiscal charges	<u>3,120,982</u>	<u>3,120,982</u>	<u>3,068,551</u>	<u>52,431</u>
6030	<b>Total Expenditures</b>	<u>7,280,982</u>	<u>7,280,982</u>	<u>7,228,551</u>	<u>52,431</u>
1100	<b>Excess of Revenues Over Expenditures</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>373,855</u>	<u>383,855</u>
1200	<b>Net Change in Fund Balances</b>	(10,000)	(10,000)	373,855	383,855
0100	Beginning fund balances	<u>399,928</u>	<u>399,928</u>	<u>399,928</u>	-
3000	<b>Ending Fund Balances</b>	<u>\$ 389,928</u>	<u>\$ 389,928</u>	<u>\$ 773,783</u>	<u>\$ 383,855</u>

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***FEDERAL AWARDS SECTION***

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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**

December 30, 2013

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, business-type activities, each major fund, and the aggregate remaining fund information of Willis Independent School District (the "District"), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2013.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

December 30, 2013

To the Board of Trustees of the  
Willis Independent School District:

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

We have audited Willis Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulation, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 on the District's compliance.

**Partners**

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

**Houston**

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

**Bellville**

1304 South Front St.  
Bellville, TX 77418  
979.865.3169

**Austin**

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

**All Offices**

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



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### Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

### Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 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 requirements of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMC Circular A-133. Accordingly, this report is not suitable for any other purpose.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
Certified Public Accountants  
Houston, Texas

# **WILLIS INDEPENDENT SCHOOL DISTRICT**

## ***SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS***

**For the Year Ended August 31, 2013**

### **A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

None

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended August 31, 2013

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Willis Independent School District.
2. Significant deficiencies in internal control were not disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.
7. The programs included as major programs are:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster
84.027 & 84.173	Special Education Cluster
84.365	English Language
84.367	Improving Teacher Quality

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The District did qualify as a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

*None*

**C. FINDINGS – FEDERAL AWARDS**

*None*

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**WILLIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1**  
For the Year Ended August 31, 2013

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education			
ESEA Title I, Part A*	84.010	13610101170904	\$ 1,201,477
IDEA B, Formula*	84.027	136600011709046000	1,157,735
Carl Perkins, Basic Grant	84.048	13420006170904	82,478
IDEA B, Preschool*	84.173	136610011709046000	26,139
Title III, English Language	84.365	13671001170904	141,702
Title II, Part A	84.367	13694501170904	<u>64,581</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>2,674,112</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education			
School Breakfast Programs*	10.553	71401301	805,573
National School Lunch*	10.555	71301301	1,771,757
Summer Feeding Program*	10.559	170-904	22,629
USDA Commodities	10.565	170-904	181,984
Schools and Roads - Grants to States	10.665	170-904	<u>4,849</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>2,786,792</u>
<b>U.S. DEPARTMENT OF HEALTH</b>			
Medical Assistance Program	93.778	170-904	19,463
Medicaid	93.778	170-904	<u>1,068,140</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH</b>			<u>1,087,603</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
ROTC	12.000	170-904	<u>57,991</u>
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>57,991</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 6,606,498</u></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 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended August 31, 2013

**NOTE 1: BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Willis Independent School District, and is presented on the 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 - EXHIBIT L-1***

**For the Year Ended August 31, 2013**

<b><u>Data Control Codes</u></b>		<b><u>Responses</u></b>
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? - 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?	No
SF9	Was there any disclosure in the annual financial report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	<u>\$ 8,730,315</u>

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