

ANNUAL FINANCIAL REPORT

of the

**WILLIS INDEPENDENT
SCHOOL DISTRICT**

For the Year Ended
August 31, 2010

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WILLIS INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

August 31, 2010

	<u>Page</u>	<u>Exhibit</u>
<u>INTRODUCTORY SECTION</u>		
Certificate of Board	3	
<u>FINANCIAL SECTION</u>		
Independent Auditors' Report	7	
Management's Discussion and Analysis	11	
<u>BASIC FINANCIAL STATEMENTS</u>		
Government-Wide Financial Statements		
Statement of Net Assets	19	A-1
Statement of Activities	20	B-1
Fund Financial Statements		
Governmental Funds Financial Statements		
Balance Sheet – Governmental Funds	22	C-1
Reconciliation of the Governmental Balance Sheet to the Statement of Net Assets	25	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	26	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29	C-3
Proprietary Fund Financial Statements		
Statement of Net Assets – Enterprise Funds	31	D-1
Statement of Changes in Net Assets – Enterprise Funds	32	D-2
Statement of Cash Flows – Enterprise Funds	33	D-3
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Assets – Fiduciary Funds	35	E-1
Notes to Financial Statements	37	
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	53	G-1
<u>OTHER SUPPLEMENTARY INFORMATION</u>		
Combining Balance Sheet – Nonmajor Governmental Funds	56	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	62	H-2
Schedule of Delinquent Taxes Receivable	68	J-1
Schedule of Expenditures for Computation of Indirect Costs for 2011-2012	70	J-2
Fund Balance and Cash Flow Calculation Schedule (Unaudited) – General Fund	73	J-3

WILLIS INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS, Continued

August 31, 2010

Budgetary Comparison Schedule -- Child Nutrition Fund	74	J-4
Budgetary Comparison Schedule -- Debt Service Fund	75	J-5

COMPLIANCE SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79	
Independent Auditors' Report on Internal Control over Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	81	
Summary Schedule of Prior Year Audit Findings	83	
Schedule of Findings and Questioned Costs	84	
Schedule of Expenditures of Federal Awards	85	K-1
Notes to Schedule of Expenditures of Federal Awards	86	
Schedule of Required Responses to Selected School First Indicators	87	L-1

INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

Willis Independent School District
Name of school district

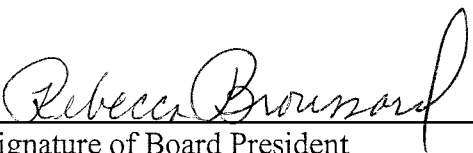
Montgomery
County

170-904
Co. Dist. Number

We, the undersigned, clarify that the attached annual financial reports of the above named school district were reviewed and (check one) X approved _____disapproved for the year ended August 31, 2010, at a meeting of the board of trustees of such school district on the 19 day of January, 2011.



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:

We have audited the accompanying 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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Generally accepted accounting principles in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information 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

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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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 financial statements. The combining fund statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and schedule 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.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
December 30, 2010

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

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WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended August 31, 2010

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, 2010. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets at August 31, 2010 were \$22,250,275.
- For the fiscal year ended August 31, 2010, the District's general fund reported a total fund balance of \$15,205,112, of which \$8,107,298 is designated for construction and other purposes, and \$7,097,814 is undesignated.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$19,386,516.

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 Supplemental 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 a trustee or agent for the benefit of others, to whom the fiduciary resources belong. This fund includes student activity funds.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets 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 assets and how they have changed. Net assets are the difference between the District's assets and liabilities and are 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, 2010

- Over time, increases or decreases in the District's net assets are 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 detail 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 explain the relationship (or differences) between them.
- *Fiduciary funds* – the District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net assets were \$22,250,275 at August 31, 2010. *Table 1* focuses on the net assets while *Table 2* shows the revenues and expenses that changed the net asset balance during the fiscal year ended August

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

For the Year Ended August 31, 2010

31, 2010. Table 1 indicates the overall condition of the District increased, which was the result of the District refunding bonds during the year. Table 2 reflects the District reporting additional property tax revenue as a result of increases to assessed property valuations within the District. Additionally, the District reported an increase to expenses as compared to the prior year resulting from additional personnel added during the year.

Table 1
Net Assets

Description	Governmental Activities		Total Dollar Change 2010-2009	Business-Type Activities	
	2010	2009		2010	2009
Current assets	\$ 31,800,952	\$ 39,565,448	\$ (7,764,496)	\$ 164,040	\$ 133,517
Capital assets	88,778,715	85,123,736	3,654,979	-	-
Restricted assets	63,894	55,414	8,480	-	-
Total assets	<u>120,643,561</u>	<u>124,744,598</u>	<u>(4,101,037)</u>	<u>164,040</u>	<u>133,517</u>
Current liabilities	7,746,338	7,826,967	(80,629)	133	740
Long-term liabilities	90,646,948	96,284,454	(5,637,506)	-	-
Total liabilities	<u>98,393,286</u>	<u>104,111,421</u>	<u>(5,718,135)</u>	<u>133</u>	<u>740</u>
Net Assets:					
Invested in capital assets	(1,868,233)	(1,506,772)	(361,461)	-	-
Restricted	853,249	14,421,381	(13,568,132)	-	-
Unrestricted	23,265,259	7,718,568	15,546,691	163,907	132,777
Total net assets	<u>\$ 22,250,275</u>	<u>\$ 20,633,177</u>	<u>\$ 1,617,098</u>	<u>\$ 163,907</u>	<u>\$ 132,777</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended August 31, 2010

Table 2
Changes in Net Assets

	Governmental Activities		Total Change	Business-Type Activities	
	2010	2009	2010-2009	2010	2009
Revenues:					
Program Revenues:					
Charges for services	\$ 1,142,738	\$ 1,195,033	\$ (52,295)	\$ 89,937	\$ 72,210
Operating grants and contributions	7,471,668	8,652,919	(1,181,251)	-	-
General Revenues:					
Property taxes	27,838,926	26,072,255	1,766,671	-	-
State aid - formula grants	20,129,497	20,192,931	(63,434)	-	-
Grants & contributions not restricted	2,032,574	-	2,032,574	-	-
Investment earnings	95,737	527,219	(431,482)	-	-
Miscellaneous	1,445,213	212,524	1,232,689	-	19,897
Total Revenue	<u>60,156,353</u>	<u>56,852,881</u>	<u>3,303,472</u>	<u>89,937</u>	<u>92,107</u>
Expenses:					
Instruction	31,627,096	27,727,830	3,899,266	-	-
Instructional resources & media services	599,725	791,127	(191,402)	-	-
Curriculum and staff development	627,891	597,561	30,330	-	-
Instructional leadership	215,430	202,196	13,234	-	-
School leasership	3,277,828	2,830,092	447,736	-	-
Guidance, counseling & evaluation services	1,779,654	1,572,089	207,565	-	-
Social work/health services	726,996	649,410	77,586	-	-
Student transportation	3,412,003	2,405,854	1,006,149	-	-
Food services	3,553,692	3,203,828	349,864	-	-
Co-curricular/extracurricular activities	1,726,161	1,674,806	51,355	-	-
General administration	1,532,126	842,501	689,625	-	-
Plant maintenance and operations	6,042,620	5,478,385	564,235	-	-
Security and monitoring	422,603	363,642	58,961	-	-
Data processing services	261,779	168,297	93,482	-	-
Community services	53,588	46,510	7,078	58,807	53,968
Debt services-interest on long-term debt	2,442,947	4,696,295	(2,253,348)	-	-
Payments to fiscal agent	-	423,880	(423,880)	-	-
Other intergovernmental charges	237,116	31,780	205,336	-	-
Total Expenses	<u>58,539,255</u>	<u>53,706,083</u>	<u>4,833,172</u>	<u>58,807</u>	<u>53,968</u>
Change in Net Assets	<u>1,617,098</u>	<u>3,146,798</u>	<u>\$ 1,529,700</u>	<u>31,130</u>	<u>38,139</u>
Beginning net assets	<u>20,633,177</u>	<u>17,486,379</u>		<u>132,777</u>	<u>94,638</u>
Ending Net Assets	<u>\$ 22,250,275</u>	<u>\$ 20,633,177</u>		<u>\$ 163,907</u>	<u>\$ 132,777</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2010, the District combined governmental funds reported a combined fund balance of \$19,386,516. This compares to a combined fund balance of \$27,560,690 at August 31, 2009. The fund balance in the general fund increased due to student population growth. The debt service fund

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

For the Year Ended August 31, 2010

decreased due to debt service payments exceeding property tax revenue. The capital projects fund decreased due to completed projects during the year.

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. The District budgets the capital projects fund for each *project*, which normally cover multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2010, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's budgeted revenues were exceeded by actual revenues by \$1,347,444 and the budgeted expenditures exceeded actual expenditures by \$2,667,153.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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, 2010, 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, 2010, the District had a total of \$121,423,415 invested in capital assets such as land, construction in progress, buildings, and District equipment. This total includes \$21,366,485 invested during the fiscal year ended August 31, 2010.

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 \$90,481,779 in general obligation bonds outstanding versus \$96,284,457 last year. The decrease is due to annual principal payments and a refunding bond issued during the year totaling \$13,365,000.

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 2010-2011 school year total \$45,039,515 and the District's Board of Trustees adopted an M & O tax rate of \$1.04 and an I & S rate of \$0.33 for a combined rate of \$1.37.

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, 936-856-1200.

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BASIC FINANCIAL STATEMENTS

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WILLIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS - EXHIBIT A-1

August 31, 2010

Data Control Codes		1 Governmental Activities	2 Business-Type Activities	Total
	<u>Assets</u>			
1110	Cash and cash equivalents	\$ 357,371	\$ -	\$ 357,371
1120	Current investments	29,606,814	-	29,606,814
1220	Property taxes receivable (delinquent)	2,012,190	-	2,012,190
1230	Allowance for uncollectible taxes	(615,350)	-	(615,350)
1240	Due from other governments	176,889	-	176,889
1260	Internal balances	(164,040)	164,040	-
1290	Other receivables (net)	200,016	-	200,016
1300	Inventories	22,554	-	22,554
1410	Prepaid items	40,850	-	40,850
1420	Deferred charges	163,658	-	163,658
		<u>31,800,952</u>	<u>164,040</u>	<u>31,964,992</u>
	Capital assets:			
1510	Land	3,955,196	-	3,955,196
1520	Buildings, net	74,544,759	-	74,544,759
1530	Furniture and equipment, net	772,195	-	772,195
1540	Vehicles	2,287,588	-	2,287,588
1580	Construction in progress	7,218,977	-	7,218,977
		<u>88,778,715</u>	<u>-</u>	<u>88,778,715</u>
1800	Restricted assets	63,894	-	63,894
1000	Total Assets	<u>120,643,561</u>	<u>164,040</u>	<u>120,807,601</u>
	<u>Liabilities</u>			
2110	Accounts payable	2,526,498	-	2,526,498
2140	Interest payable	246,412	-	246,412
2150	Payroll deductions and withholdings payable	62,616	-	62,616
2160	Accrued wages payable	2,184,334	133	2,184,467
2300	Deferred revenues	2,726,478	-	2,726,478
		<u>7,746,338</u>	<u>133</u>	<u>7,746,471</u>
	Noncurrent liabilities:			
2501	Long-term liabilities due within one year	2,982,500	-	2,982,500
2502	Long-term liabilities due in more than one year	87,664,448	-	87,664,448
		<u>90,646,948</u>	<u>-</u>	<u>90,646,948</u>
2000	Total Liabilities	<u>98,393,286</u>	<u>133</u>	<u>98,393,419</u>
	<u>Net Assets</u>			
3200	Invested in capital assets, net of related debt	(1,868,233)	-	(1,868,233)
	Restricted for:			
3820	Capital Assets, Net of Related Debt			
3850	Debt service	853,249	-	853,249
3890	Other purposes	-	-	-
3900	Unrestricted	23,265,259	163,907	23,429,166
3000	Total Net Assets	<u>\$ 22,250,275</u>	<u>\$ 163,907</u>	<u>\$ 22,414,182</u>

See Notes to Financial Statements.

WILLIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2010

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			3 Charges for Services	4 Operating Grants and Contributions	
					6 Primary Gov. Governmental Activities
	Governmental Activities				
11	Instruction	\$ 31,627,096	\$ -	\$ 4,578,334	\$ (27,048,762)
12	Instructional resources				
12	and media services	599,725	-	18,016	(581,709)
13	Curriculum and instructional				
13	staff development	627,891	-	137,120	(490,771)
21	Instructional leadership	215,430	-	81,349	(134,081)
23	School leadership	3,277,828	-	12,789	(3,265,039)
31	Guidance, counseling				
31	and evaluation services	1,779,654	-	265,519	(1,514,135)
32	Social work services	96,266	-	-	(96,266)
33	Health services	630,730	-	-	(630,730)
34	Student transportation	3,412,003	-	-	(3,412,003)
35	Food services	3,553,692	1,142,738	2,378,541	(32,413)
36	Extracurricular activities	1,726,161	-	-	(1,726,161)
41	General administration	1,532,126	-	-	(1,532,126)
51	Plant maintenance and operations	6,042,620	-	-	(6,042,620)
52	Security and monitoring services	422,603	-	-	(422,603)
53	Data processing services	261,779	-	-	(261,779)
61	Community services	53,588	-	-	(53,588)
72	Interest on long term debt	2,442,947	-	-	(2,442,947)
95	Payments to JJAEP	14,560	-	-	(14,560)
99	Other intergovernment charges	222,556	-	-	(222,556)
TGA	Total Governmental Activities	<u>\$ 58,539,255</u>	<u>\$ 1,142,738</u>	<u>\$ 7,471,668</u>	<u>(49,924,849)</u>
	Business-Type Activities				
BTA	Early bird child care	58,807	89,937	-	-
TPG	Total Primary Government	<u>\$ 58,598,062</u>	<u>\$ 1,232,675</u>	<u>\$ 7,471,668</u>	<u>(49,924,849)</u>
MT	Property taxes, levied for general purposes				20,982,487
DT	Property taxes, levied for debt service				6,856,439
SF	State aid - formula grants				20,129,497
GC	Grants and contributions not restricted				2,032,574
IE	Investment earnings				95,737
MI	Miscellaneous local and intermediate revenue				1,445,213
TR				Total General Revenues	<u>51,541,947</u>
CN				Change in Net Assets	<u>1,617,098</u>
NB	Beginning Net Assets				<u>20,633,177</u>
NE				Ending Net Assets	<u>\$ 22,250,275</u>

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets	
7	
Primary Gov. Business-Type Activities	Total
\$ -	(27,048,762)
-	(581,709)
-	(490,771)
-	(134,081)
-	(3,265,039)
-	(1,514,135)
-	(96,266)
-	(630,730)
-	(3,412,003)
-	(32,413)
-	(1,726,161)
-	(1,532,126)
-	(6,042,620)
-	(422,603)
-	(261,779)
-	(53,588)
-	(2,442,947)
-	(14,560)
-	(222,556)
-	(49,924,849)
31,130	31,130
31,130	(49,893,719)
-	20,982,487
-	6,856,439
-	20,129,497
-	2,032,574
-	95,737
-	1,445,213
-	51,541,947
31,130	1,648,228
132,777	20,765,954
\$ 163,907	\$ 22,414,182

WILLIS INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2010

		10	50	60	
Data Control Codes		General	Debt Service	Capital Projects	Nonmajor Governmental Funds
Assets					
1110	Cash and cash equivalents	\$ 27,915	\$ 22,281	\$ 227	\$ 220,019
1120	Current investments	23,170,275	817,177	1,895,603	370,681
1220	Property taxes - delinquent	1,614,249	397,941	-	-
1230	Allowance for uncollectible taxes	(527,633)	(87,717)	-	-
1240	Due from other governments	-	-	-	176,889
1260	Due from other funds	-	34,380	-	1,220,468
1290	Other receivables	20,480	-	-	17,730
1300	Inventories	22,554	-	-	-
1410	Prepaid items	20,850	-	20,000	-
1800	Restricted assets	63,894	-	-	-
1000	Total Assets	\$ 24,412,584	\$ 1,184,062	\$ 1,915,830	\$ 2,005,787
Liabilities:					
2110	Accounts payable	\$ 913,688	\$ 20,589	\$ 171,443	\$ 224,145
2150	Payroll deductions payable	62,616	-	-	-
2160	Accrued wages payable	2,025,649	-	-	158,685
2170	Due to other funds	2,425,266	-	-	6,348
2300	Deferred revenue	3,780,253	310,224	-	32,841
2000	Total Liabilities	9,207,472	330,813	171,443	422,019
Fund Balances:					
Reserved for:					
3410	Inventories and prepaids	43,404	-	-	-
3420	Debt service	-	853,249	-	-
3450	Food service operations	-	-	-	586,726
3490	Other purposes	63,894	-	-	997,042
Unreserved, designated for:					
3510	Construction	2,600,000	-	1,744,387	-
3530	Capital expenditures for equipment	2,150,000	-	-	-
3590	Other designated fund balance	3,250,000	-	-	-
Unreserved and undesignated reported in:					
3600	General fund	7,097,814	-	-	-
3000	Total Fund Balances	15,205,112	853,249	1,744,387	1,583,768
4000	Total Liabilities and Fund Balances	\$ 24,412,584	\$ 1,184,062	\$ 1,915,830	\$ 2,005,787

See Notes to Financial Statements.

98
Total
Governmental
Funds

\$	270,442
	26,253,736
	2,012,190
	(615,350)
	176,889
	1,254,848
	38,210
	22,554
	40,850
	63,894
\$	<u>29,518,263</u>

\$	1,329,865
	62,616
	2,184,334
	2,431,614
	<u>4,123,318</u>
	<u>10,131,747</u>

	43,404
	853,249
	586,726
	1,060,936

	4,344,387
	2,150,000
	3,250,000

	<u>7,097,814</u>
	19,386,516
\$	<u><u>29,518,263</u></u>

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WILLIS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS - EXHIBIT C-1R
August 31, 2010

Total fund balances for governmental funds	\$	19,386,516
--	----	------------

Amounts reported for governmental activities in the Statement of Net Assets 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	\$	11,174,173	
Capital assets - depreciable		77,604,542	
			88,778,715

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		1,396,840
---	--	-----------

Internal services 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 Assets.		3,417,906
--	--	-----------

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest	\$	(246,412)	
Deferred charges		163,658	
Non-current liabilities due in one year		(2,982,500)	
Non-current liabilities due in more than one year		(87,664,448)	
			(90,729,702)

Net Assets of Governmental Activities	\$	22,250,275
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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, 2010

Data Control Codes		General	Debt Service	Capital Projects	Nonmajor Governmental Funds
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ 21,233,674	\$ 6,862,209	\$ 9,385	\$ 1,144,120
5800	State program revenues	22,179,848	428,733	-	334,164
5900	Federal program revenues	96,683	-	-	7,737,049
5020	Total Revenues	43,510,205	7,290,942	9,385	9,215,333
	<u>Expenditures</u>				
0011	Instruction	23,553,577	-	193,295	4,616,763
0012	Instruction resources				
0012	and media services	489,444	-	-	18,061
0013	Curriculum and instructional				
0013	staff development	490,771	-	-	137,120
0021	Instructional leadership	134,081	-	-	81,349
0023	School leadership	2,919,318	-	-	12,789
0031	Guidance, counseling,				
0031	and evaluation services	1,507,093	-	-	265,519
0032	Social work services	96,266	-	-	-
0033	Health services	515,683	-	-	101,396
0034	Student transportation	2,923,813	-	-	39,206
0035	Food services	-	-	-	3,414,475
0036	Extracurricular activities	1,231,772	-	-	666
0041	General administration	1,523,298	-	-	3,634
0051	Plant maintenance and operations	5,944,058	-	-	113
0052	Security and monitoring services	420,878	-	-	1,725
0053	Data processing services	222,576	-	-	-
0061	Community services	-	-	-	53,588
	Debt service:				
0071	Principal	-	4,054,400	-	-
0072	Interest and fiscal charges	-	4,099,737	-	-
0073	Bond issuance costs	-	175,348	-	-
0081	Capital outlay	422,430	-	8,475,648	-
	Intergovernmental:				
0095	Payments to juvenile justice alternative	14,560	-	-	-
0099	Other intergovernmental charges	222,556	-	-	-
6030	Total Expenditures	42,632,174	8,329,485	8,668,943	8,746,404
1100	Excess (Deficiency) of Revenues				
1100	Over (Under) Expenditures	878,031	(1,038,543)	(8,659,558)	468,929
	<u>Other Financing Sources (Uses)</u>				
7911	Sale of bonds	-	14,116,688	-	-
8949	Payment to refunding escrow agent	-	(13,939,721)	-	-
7915	Transfers in	-	-	750,000	-
8911	Transfers (out)	(750,000)	-	-	-
7080	Total Other Financing Sources (Uses)	(750,000)	176,967	750,000	-
1200	Net Change in Fund Balances	128,031	(861,576)	(7,909,558)	468,929
0100	Beginning Fund Balances	15,077,081	1,714,825	9,653,945	1,114,839
3000	Ending Fund Balances	\$ 15,205,112	\$ 853,249	\$ 1,744,387	\$ 1,583,768

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 29,249,388
22,942,745
7,833,732
60,025,865

28,363,635

507,505

627,891
215,430
2,932,107

1,772,612
96,266
617,079
2,963,019
3,414,475
1,232,438
1,526,932
5,944,171
422,603
222,576
53,588

4,054,400
4,099,737
175,348
8,898,078

14,560
222,556

68,377,006

(8,351,141)

14,116,688
(13,939,721)
750,000
(750,000)

176,967
(8,174,174)

27,560,690

\$ 19,386,516

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WILLIS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - EXHIBIT C-3
For the Year Ended August 31, 2010

Net changes in fund balances - total governmental funds	\$ (8,174,174)
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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	(3,103,929)
Capital outlay	6,758,906

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	130,488
--	---------

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 assets. 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	4,054,400
Amortization of other items	50,114
Accrued interest	(91,595)
Accreted interest	1,748,277
Payment to bond refunding escrow agent	13,365,000
Bonds issued	(14,116,688)
Other debt items	700,064

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	296,235
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Change in Net Assets of Governmental Activities	\$ 1,617,098
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See Notes to Financial Statements.

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WILLIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS - EXHIBIT D-1

August 31, 2010

Data Control Codes		Nonmajor Enterprise Fund	
		Early Bird Child Care	Internal Service Fund
<u>Assets</u>			
1110	Cash and cash equivalents	\$ -	\$ 86,929
1120	Investments	-	3,353,078
1260	Due from other funds	164,040	1,012,726
1290	Other receivables	-	161,806
Total Assets		164,040	4,614,539
<u>Liabilities</u>			
Current liabilities:			
2110	Accounts payable	-	1,196,633
2160	Accrued wages payable	133	-
2000	Total Liabilities	133	1,196,633
<u>Net Assets</u>			
3600	Unrestricted	163,907	3,417,906
4000	Total Net Assets	\$ 163,907	\$ 3,417,906

See Notes to Financial Statements.

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS - EXHIBIT D-2
For the Year Ended August 31, 2010

Data Control Dates		Nonmajor Enterprise Fund	
		Early Bird Child Care	Internal Service Fund
	<u>Operating Revenues</u>		
5700	Local and intermediate sources	\$ 89,937	\$ 3,974,500
5020	Total Operating Revenues	<u>89,937</u>	<u>3,974,500</u>
	<u>Operating Expenses</u>		
0011	Instruction	2,992	-
0023	School leadership	5,450	-
0041	Other operating costs	593	3,678,265
0061	Community services	49,772	-
	Total Operating Expenses	<u>58,807</u>	<u>3,678,265</u>
1200	Change in Net Assets	31,130	296,235
0100	Beginning Net Assets	<u>132,777</u>	<u>3,121,671</u>
3000	Ending Net Assets	<u>\$ 163,907</u>	<u>\$ 3,417,906</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, 2010

	Nonmajor Enterprise Fund	
	Early Bird Child Care	Internal Service Funds
<u>Cash Flows from Operating Activities</u>		
Receipts from user charges	\$ 59,414	\$ 3,729,283
Payment for insurance claims	(59,414)	(3,678,265)
Net Cash Provided by Operating Activities	<u>-</u>	<u>51,018</u>
Change in Cash and Cash Equivalents	-	51,018
Beginning Cash and Cash Equivalents	-	3,388,989
Ending Cash and Cash Equivalents	<u><u>\$ -</u></u>	<u><u>\$ 3,440,007</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 31,130	\$ 296,235
Adjustments to reconcile operating income to net cash provided by operating activities:		
Increase (Decrease) in:		
Intergovernmental receivable	(30,523)	(245,217)
Accounts payable and accrued liabilities	(607)	-
Net Cash Provided by Operating Activities	<u><u>\$ -</u></u>	<u><u>\$ 51,018</u></u>

See Notes to Financial Statements.

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WILLIS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS - EXHIBIT E-1

August 31, 2010

		<u>Agency Funds</u>
Assets:		
Cash and cash equivalents		\$ 364,378
	Total Assets	<u>\$ 364,378</u>
Liabilities:		
Current liabilities:		
Due to student groups		\$ 364,378
	Total Liabilities	<u>\$ 364,378</u>

See Notes to Financial Statements.

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WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2010

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 other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; 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 a board 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.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that the District’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

B. Financial Statement Presentation

These financial statements include Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain requirements of the statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the District’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District’s activities.
- A change in the fund financial statements to focus on the major funds.

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2010

Statement No. 34 established standards for external financial reporting for all state and local governmental entities which includes a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt** – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about the District as a whole. These statements include all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds, if applicable, are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2010

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The general fund is considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal 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.

Capital Projects Funds

The capital projects funds are used to account for the expenditures of resources accumulated from long-term debt. The capital projects fund is considered a major fund for reporting purposes.

Special Revenue Funds

The District accounts for resources reserved, or designated, for specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund. Sometimes, balances must be returned to the grantor at the close of specified project periods.

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 GAAP prescribed by the Governmental Accounting Standards Board (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.

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 considered a major fund for reporting purposes.

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2010

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 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.

D. Measurement Focus and Basis of Accounting

The government-wide Statement of Net Assets and Statement of Activities and all proprietary funds are accounted for on a flow of economic resources measurement focus – accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The District utilizes the modified accrual basis of accounting in the governmental fund type. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on long-term debt, which is recognized when due.

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2010

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Assets, Liabilities, and Net Assets or Fund Equity

1. Deposits and Investments

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.

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 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

2. 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.

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 such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2010

3. Prepaid Items

Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. 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.

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

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

5. 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 Statement of Net Assets. The long-term debt consists primarily of bonds payable, note payable, and accrued compensated absences.

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 and compensated absences 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.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2010

specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

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

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.

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, 2010, 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 \$29,606,814 in investment pools at year end.

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, 2010

B. Capital Assets

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

Governmental Activities:	Beginning Balances	Increases	(Decreases)	Ending Balances
Capital assets not being depreciated:				
Land	\$ 3,955,196	\$ -	\$ -	\$ 3,955,196
Construction in Progress	15,954,632	5,871,924	(14,607,579)	7,218,977
Total capital assets not being depreciated	19,909,828	5,871,924	(14,607,579)	11,174,173
Other capital assets:				
Buildings and improvements	89,014,488	14,607,579	-	103,622,067
Equipment	991,941	224,072	-	1,216,013
Vehicles	4,748,252	662,910	-	5,411,162
Total other capital assets	94,754,681	15,494,561	-	110,249,242
Less accumulated depreciation for:				
Buildings and improvements	(26,532,067)	(2,545,241)	-	(29,077,308)
Equipment	(350,530)	(93,288)	-	(443,818)
Vehicles	(2,658,174)	(465,400)	-	(3,123,574)
Total accumulated depreciation	(29,540,771)	(3,103,929)	-	(32,644,700)
Other capital assets, net	65,213,910	12,390,632	-	77,604,542
Totals	\$ 85,123,738	\$ 18,262,556	\$ (14,607,579)	\$ 88,778,715

Depreciation was charged to governmental functions as follows:

11	Instruction	\$ 1,420,524
12	Instructional Resources & Media Services	92,220
23	School Leadership	345,721
31	Guidance, Counseling & Evaluation Services	7,043
33	Health Services	13,651
34	Student (Pupil) Transportation	448,984
35	Food Service	139,216
36	Cocurricular/Extracurricular Activities	493,724
41	General Administration	5,195
51	Plant Maintenance and Operations	98,448
53	Data Processing Services	39,203
	Total Depreciation Expenses	<u>\$ 3,103,929</u>

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.

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, *Continued*

For the Year Ended August 31, 2010

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Bonds payables:					
Series 1998	\$ 4,335,076	\$ -	\$ -	\$ 4,335,076	\$ -
Series 2001	9,490,750	-	(5,819,400)	3,671,350	617,500
Series 2001A	2,340,000	-	(1,845,000)	495,000	70,000
Series 2002	7,825,001	-	(6,870,001)	955,000	30,000
Series 2005	22,055,000	-	(1,475,000)	20,580,000	1,700,000
Sereis 2007	19,300,000	-	(540,000)	18,760,000	565,000
Sereis 2008	15,375,000	-	(870,000)	14,505,000	585,000
Sereis 2008A	6,775,000	-	-	6,775,000	-
Series 2010	-	13,365,000	-	13,365,000	-
Accreted interest on CAB	8,788,630	-	(1,748,277)	7,040,353	-
	<u>\$ 96,284,457</u>	<u>\$ 13,365,000</u>	<u>\$ (19,167,678)</u>	<u>\$ 90,481,779</u>	<u>\$ 2,982,500</u>
Other Liabilities:					
Other debt items	-	(574,721)	38,315	(536,406)	-
Premiums	-	751,688	(50,113)	701,575	-
Total Governmental					
Activities	<u>\$ 96,284,457</u>	<u>\$ 13,541,967</u>	<u>\$ (19,179,476)</u>	<u>\$ 90,646,948</u>	<u>\$ 2,982,500</u>
Long-term liabilities due in more than one year				<u><u>\$ 87,664,448</u></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.

Current Refunding

The government issued \$13,365,000 of unlimited tax refunding bonds, series 2010, to provide resources to purchase direct obligations of the United States of America that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments in the amount of \$6,720,000 in unlimited tax schoolhouse and refunding bonds, series 2002, \$1,475,000 in unlimited tax refunding bonds, series 2001A, and \$5,170,000 in unlimited tax schoolhouse bonds, series 2001. As a result, the refunded portion of the bonds is considered to be defeased and the pro-rata portion of the liability has been removed from the applicable governmental columns in the Statement of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by \$574,721. This amount is being netted against the new debt and amortized over the remaining life of the old debt issued. This current refunding resulted in an economic gain of \$1,327,630. At August 31, 2010, these bonds were considered defeased relating to the 2010 refunding.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended August 31, 2010

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

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 3,567,500	\$ 4,128,044	\$ 7,695,544
2012	4,287,180	3,617,224	7,904,404
2013	4,663,340	3,529,368	8,192,708
2014	5,099,450	3,333,989	8,433,439
2015	5,266,660	3,172,807	8,439,467
2016	5,210,020	3,222,701	8,432,721
2017	3,364,507	4,842,218	8,206,725
2018	4,001,065	4,180,389	8,181,454
2019	4,313,720	3,817,083	8,130,803
2020	4,463,995	3,670,249	8,134,244
2021	4,626,694	3,508,608	8,135,302
2022	4,797,295	3,345,760	8,143,055
2023	4,815,000	1,259,536	6,074,536
2024	5,040,000	1,041,939	6,081,939
2025	5,270,000	808,750	6,078,750
2026	3,335,000	608,056	3,943,056
2027	2,475,000	465,396	2,940,396
2028	2,600,000	343,674	2,943,674
2029	1,665,000	246,326	1,911,326
2030	1,740,000	170,617	1,910,617
2031	1,825,000	91,339	1,916,339
2032	495,000	38,375	533,375
2033	520,000	13,000	533,000
	<u>\$ 83,441,426</u>	<u>\$ 49,455,448</u>	<u>\$ 132,896,874</u>

D. Interfund Transactions

The interfund balances and transfers were as follows:

	<u>Due To Other Funds</u>	<u>Transfers Out</u>
General Fund		
Special revenue	\$ 1,214,120	\$ -
Debt service	34,380	-
Enterprise	164,040	-
Internal service	1,012,726	-
Capital projects	-	750,000
Total General Fund	<u>2,425,266</u>	<u>750,000</u>
Special Revenue Fund		
General Fund	6,348	-
Total Special Revenue Fund	<u>6,348</u>	<u>-</u>
Grand Total	<u>\$ 2,431,614</u>	<u>\$ 750,000</u>

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

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2010

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 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 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 (the "System"), 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. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System 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. The System issues a publicly available financial report that includes financial statements and Required Supplementary Information for the

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2010

District. 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 System for the years ending August 31, 2010, 2009 and 2008 were \$2,105,325, \$1,946,219 and \$1,776,938, 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, 2010, 2009, 2008 were \$369,129, \$301,389 and \$271,637, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$2,044,269 for the year ending August 31, 2010.

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 Teacher Retirement System of Texas ("TRS"). TRS-Care provides health care coverage for certain persons (and their dependents) who retired 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. The TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us, by 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 1.0 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 2009 and 2008. 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, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$18,832, \$18,637, and \$17,064, respectively, the active member contributions were \$213,822, \$197,663 and \$180,836, respectively, and the District's contributions were \$180,926, \$167,253 and \$153,015, 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 the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2010

participants. For the fiscal years ended August 31, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$82,385, \$68,322, and \$63,415, respectively.

E. Employee Health Care Coverage

During the year ended August 31, 2010, 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 dependants. 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. The contract between the District and the insurer is renewable September 1, 2010 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation Insurance

During the year ended August 31, 2010, 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, 2010, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of 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, 2010, 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, 2010, 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;

WILLIS INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, Continued

For the Year Ended August 31, 2010

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 Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010, 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:

State Supplementary Visually Impaired Fund

The District participates in a shared services arrangement 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 twenty-four (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 shared services arrangement to be used to improve student academic achievement through the use of technology in elementary and secondary schools. The shared services arrangement 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 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 shared services arrangement to be used to develop age-appropriate comprehensive violence and drug/alcohol education prevention program. The shared services arrangement 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

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND - EXHIBIT G-1

For the year ended August 31, 2010

Data Control Codes		Budgeted Amounts			Variance With Final Budget
		Original	Final	Actual	Positive (Negative)
	<u>Revenues</u>				
5700	Local and Intermediate Sources	\$ 20,891,875	\$ 20,891,875	\$ 21,233,674	\$ 341,799
5800	State Program Revenues	21,195,142	21,195,142	22,179,848	984,706
5900	Federal Program Revenues	75,744	75,744	96,683	20,939
5020	Total Revenues	<u>42,162,761</u>	<u>42,162,761</u>	<u>43,510,205</u>	<u>1,347,444</u>
	<u>Expenditures</u>				
0011	Instruction	25,268,842	25,320,242	23,553,577	1,766,665
0012	Instructional resources and				
0012	media services	713,506	609,330	489,444	119,886
0013	Curriculum and instructional				
0013	staff development	504,284	507,268	490,771	16,497
0021	Instructional leadership	133,673	143,964	134,081	9,883
0023	School leadership	2,861,722	2,933,045	2,919,318	13,727
0031	Guidance, counseling and				
0031	evaluation services	1,583,461	1,583,461	1,507,093	76,368
0032	Social work services	108,628	108,628	96,266	12,362
0033	Health services	517,231	527,231	515,683	11,548
0034	Student transportation	2,559,816	3,185,253	2,923,813	261,440
0036	Extracurricular activities	1,286,897	1,287,080	1,231,772	55,308
0041	General administration	1,424,991	1,523,406	1,523,298	108
0051	Facilities maintenance and operations	6,041,422	6,152,743	5,944,058	208,685
0052	Security and monitoring services	457,681	461,710	420,878	40,832
0053	Data processing services	223,058	248,350	222,576	25,774
0061	Community services	-	-	-	-
0081	Capital Outlay	-	429,616	422,430	7,186
	<u>Intergovernmental</u>				
0095	Payments to JJAEP	50,000	50,000	14,560	35,440
0099	Other intergovernmental charges	228,000	228,000	222,556	5,444
6030	Total Expenditures	<u>43,963,212</u>	<u>45,299,327</u>	<u>42,632,174</u>	<u>2,667,153</u>
1100	Excess (Deficiency) of Revenues Over(Under) Expenditures	<u>(1,800,451)</u>	<u>(3,136,566)</u>	<u>878,031</u>	<u>4,014,597</u>
1200	Net Change in Fund Balance	(1,800,451)	(3,136,566)	128,031	3,264,597
0100	Beginning Fund Balance	15,077,081	15,077,081	15,077,081	-
3000	Ending Fund Balances	<u>\$ 13,276,630</u>	<u>\$ 11,940,515</u>	<u>\$ 15,205,112</u>	<u>\$ 3,264,597</u>

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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, 2010

Data Control Codes		204	211	224	225
		ESEA Title IV SDFSC	ESEA Title 1 Part A	IDEA B Formula	IDEA B Preschool Grant
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 696
1120	Current investments	-	-	-	-
1220	Property taxes - delinquent	-	-	-	-
1230	Allowance for uncollectible taxes	-	-	-	-
1240	Due from other governments	-	42,375	44,877	496
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 42,375</u>	<u>\$ 44,877</u>	<u>\$ 1,192</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	42,375	44,877	496
2170	Due to other funds	-	-	-	-
2200	Accrued expenses	-	-	-	-
2300	Deferred revenue	-	-	-	696
2000	Total Liabilities	<u>-</u>	<u>42,375</u>	<u>44,877</u>	<u>1,192</u>
	<u>Fund Balances</u>				
	Unreserved and				
	undesignated, reported in:				
3610	Special revenue funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 42,375</u>	<u>\$ 44,877</u>	<u>\$ 1,192</u>

240	243	244	255	263	266
Child	Career	Career	ESEA, Title II,	Title III,	ARRA of 2009
Nutrition	and Technical	and Technical	Part A	Part A - Eng.	Title XIV
	Preparation	Basic	Teacher and	Language Acq.	State Fiscal
		Grant	Principal Trn.	and Lang. Enh.	Stabilization
\$ 59,106	\$ 3,964	\$ 547	\$ -	\$ -	\$ -
370,681	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
70,648	-	-	7,831	2,928	-
280,918	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 781,353</u>	<u>\$ 3,964</u>	<u>\$ 547</u>	<u>\$ 7,831</u>	<u>\$ 2,928</u>	<u>\$ -</u>
\$ 131,685	\$ -	\$ 547	\$ -	\$ 2,928	\$ -
62,942	-	-	7,831	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	3,964	-	-	-	-
<u>194,627</u>	<u>3,964</u>	<u>547</u>	<u>7,831</u>	<u>2,928</u>	<u>-</u>
586,726	-	-	-	-	-
<u>586,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 781,353</u>	<u>\$ 3,964</u>	<u>\$ 547</u>	<u>\$ 7,831</u>	<u>\$ 2,928</u>	<u>\$ -</u>

WILLIS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

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

August 31, 2010

Data Control Codes		272	279	283	284
		Medicaid Admin Claim Program	Title II, Part D Subpart 1 Enh. Educ. Thr Tech. - ARRA	IDEA, Part B Formula ARRA	IDEA, Part B Preschool ARRA
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ 386	\$ -	\$ -	\$ -
1120	Current investments	-	-	-	-
1220	Property taxes - delinquent	-	-	-	-
1230	Allowance for uncollectible taxes	-	-	-	-
1240	Due from other governments	-	3,100	3,356	-
1260	Due from other funds	49,000	-	2,983	-
1290	Other receivables	17,730	-	-	-
1300	Inventories, at cost	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 67,116</u>	<u>\$ 3,100</u>	<u>\$ 6,339</u>	<u>\$ -</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ -	\$ -	\$ 191	\$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	3,100	2,134	-
2200	Accrued expenses	-	-	-	-
2300	Deferred revenue	-	-	4,014	-
2000	Total Liabilities	<u>-</u>	<u>3,100</u>	<u>6,339</u>	<u>-</u>
	<u>Fund Balances</u>				
	Unreserved and				
	undesignated, reported in:				
3610	Special revenue funds	67,116	-	-	-
3000	Total Fund Balances	<u>67,116</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 67,116</u>	<u>\$ 3,100</u>	<u>\$ 6,339</u>	<u>\$ -</u>

285 ESEA Title I Part A Improving Basic Program	288 Federally Funded Special Revenue	289 Medicare Reimb.	385 State Supplemental Vision Impaired	393 Texas Successful Schools	397 Advanced Placement Initiatives
\$ 8,529	\$ 136	\$ 15,502	\$ -	\$ 725	\$ 15,772
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	164	-	-
-	-	887,567	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 8,529</u>	<u>\$ 136</u>	<u>\$ 903,069</u>	<u>\$ 164</u>	<u>\$ 725</u>	<u>\$ 15,772</u>
\$ -	\$ -	\$ 23,169	\$ -	\$ -	\$ 3,150
-	-	-	164	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,529	136	15,502	-	-	-
<u>8,529</u>	<u>136</u>	<u>38,671</u>	<u>164</u>	<u>-</u>	<u>3,150</u>
-	-	864,398	-	725	12,622
-	-	864,398	-	725	12,622
<u>\$ 8,529</u>	<u>\$ 136</u>	<u>\$ 903,069</u>	<u>\$ 164</u>	<u>\$ 725</u>	<u>\$ 15,772</u>

WILLIS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

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

August 31, 2010

		401	404	409	411
Data Control Codes		Optional Extended Year Program	Student Success Initiative	Texas High School Project	Technology Allotment
<u>Assets</u>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ 53,876	\$ 52,017
1120	Current investments	-	-	-	-
1220	Property taxes - delinquent	-	-	-	-
1230	Allowance for uncollectible taxes	-	-	-	-
1240	Due from other governments	379	735	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories, at cost	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 379</u>	<u>\$ 735</u>	<u>\$ 53,876</u>	<u>\$ 52,017</u>
<u>Liabilities</u>					
2110	Accounts payable	\$ -	\$ -	\$ 53,876	\$ 91
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	379	735	-	-
2200	Accrued expenses	-	-	-	-
2300	Deferred revenue	-	-	-	-
2000	Total Liabilities	<u>379</u>	<u>735</u>	<u>53,876</u>	<u>91</u>
<u>Fund Balances</u>					
Unreserved and					
undesignated, reported in:					
3610	Special revenue funds	-	-	-	51,926
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,926</u>
4000	Total Liabilities and Fund Balances	<u>\$ 379</u>	<u>\$ 735</u>	<u>\$ 53,876</u>	<u>\$ 52,017</u>

423	426	429	498	499	Total Nonmajor Governmental Funds
LEP Student Succ. Initiative	Texas Educ. Excellence Award	State Funded Special Revenue	State Funded Special Revenue	State Funded Special Revenue	
\$ 230	\$ 8,508	\$ 12	\$ -	\$ 13	\$ 220,019
-	-	-	-	-	370,681
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	176,889
-	-	-	-	-	1,220,468
-	-	-	-	-	17,730
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 230</u>	<u>\$ 8,508</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 2,005,787</u>
\$ -	\$ 8,508	\$ -	\$ -	\$ -	\$ 224,145
-	-	-	-	-	158,685
-	-	-	-	-	6,348
-	-	-	-	-	-
-	-	-	-	-	32,841
<u>-</u>	<u>8,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,019</u>
230	-	12	-	13	1,583,768
<u>230</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>13</u>	<u>1,583,768</u>
<u>\$ 230</u>	<u>\$ 8,508</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 13</u>	<u>\$ 2,005,787</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 1 of 3)
For the Year Ended August 31, 2010

		204	211	224	225
Data Control Codes		ESEA Title IV SDFSC	ESEA Title 1 Part A	IDEA B Formula	IDEA B Preschool Grant
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	4,000	722,012	1,163,622	26,667
5020	Total Revenues	4,000	722,012	1,163,622	26,667
<u>Expenditures</u>					
Current:					
0011	Instruction	-	703,300	895,029	26,667
0012	Instruction resources				
0012	and media services	-	6,698	-	-
0013	Curriculum and instructional				
0013	staff development	4,000	-	2,292	-
0021	Instructional leadership	-	-	68,039	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	168,039	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	8,760	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	12,014	21,463	-
6030	Total Expenditures	4,000	722,012	1,163,622	26,667
1200	Net Change in Fund Balances	-	-	-	-
0100	Beginning Fund Balances	-	-	-	-
3000	Ending Fund Balances	\$ -	\$ -	\$ -	\$ -

240	243	244	255	263	266
Child	Career	Career	ESEA, Title II,	Title III,	ARRA of 2009
Nutrition	and Technical	and Technical	Part A	Part A - Eng.	Title XIV
	Preparation	Basic	Teacher and	Language Acq.	State Fiscal
		Grant	Principal Trn.	and Lang. Enh.	Stabilization
\$ 1,142,738	\$ 1,312	\$ -	\$ -	\$ -	\$ -
20,775	-	-	-	-	-
2,357,766	-	58,914	186,311	95,276	1,800,423
3,521,279	1,312	58,914	186,311	95,276	1,800,423
-	-	55,048	155,205	87,841	1,730,192
-	-	-	-	570	-
-	223	1,367	25,062	3,288	-
-	-	-	991	-	-
-	-	-	5,053	-	-
-	1,089	2,499	-	-	70,231
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,414,475	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,577	-
3,414,475	1,312	58,914	186,311	95,276	1,800,423
106,804	-	-	-	-	-
479,922	-	-	-	-	-
\$ 586,726	\$ -	\$ -	\$ -	\$ -	\$ -

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 2 of 3)
For the Year Ended August 31, 2010

Data Control Codes		272	279	283	284
		Medicaid Admin Claim Program	Title II, Part D Subpart 1 Enh. Educ. Thr Tech. - ARRA	IDEA, Part B Formula ARRA	IDEA, Part B Preschool ARRA
	<u>Revenues</u>				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	27,084	7,276	447,285	14,299
5020	Total Revenues	<u>27,084</u>	<u>7,276</u>	<u>447,285</u>	<u>14,299</u>
	<u>Expenditures</u>				
	Current:				
0011	Instruction	-	4,176	427,165	14,299
0012	Instruction resources				
0012	and media services	-	-	-	-
0013	Curriculum and instructional				
0013	staff development	-	3,100	5,039	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	1,683	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	13,398	-
6030	Total Expenditures	<u>-</u>	<u>7,276</u>	<u>447,285</u>	<u>14,299</u>
1200	Net Change in Fund Balances	27,084	-	-	-
0100	Beginning Fund Balances	<u>40,032</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Ending Fund Balances	<u>\$ 67,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

285 ESEA Title I Part A Improving Basic Program	288 Federally Funded Special Revenue	289 Medicare Reimb.	385 State Supplemental Vision Impaired	393 Texas Successful Schools	397 Advanced Placement Initiatives
\$ -	\$ -	\$ 70	\$ -	\$ -	\$ -
-	-	-	3,430	-	7,004
275,628	-	550,486	-	-	-
275,628	-	550,556	3,430	-	7,004
214,727	-	48,100	3,430	-	258
10,748	-	-	-	-	-
46,418	-	2,378	-	-	10,328
-	-	12,319	-	-	-
3,735	-	2,934	-	-	-
-	-	15,027	-	-	-
-	-	-	-	-	-
-	-	101,396	-	-	-
-	-	30,446	-	-	-
-	-	-	-	-	-
-	-	666	-	-	-
-	-	3,634	-	-	-
-	-	113	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,136	-	-	-
275,628	-	220,149	3,430	-	10,586
-	-	330,407	-	-	(3,582)
-	-	533,991	-	725	16,204
\$ -	\$ -	\$ 864,398	\$ -	\$ 725	\$ 12,622

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 3 of 3)
For the Year Ended August 31, 2010

		401	404	409	411
Data Control Codes		Optional Extended Year Program	Student Success Initiative	Texas High School Project	Technology Allotment
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	21,312	38,368	57,434	177,276
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	21,312	38,368	57,434	177,276
<u>Expenditures</u>					
Current:					
0011	Instruction	21,312	37,836	16,323	167,347
0012	Instruction resources				
0012	and media services	-	-	-	-
0013	Curriculum and instructional				
0013	staff development	-	532	33,093	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	1,067	-
0031	Guidance, counseling, and				
0031	evaluation services	-	-	6,951	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
6030	Total Expenditures	21,312	38,368	57,434	167,347
1200	Net Change in Fund Balances	-	-	-	9,929
0100	Beginning Fund Balances	-	-	-	41,997
3000	Ending Fund Balances	\$ -	\$ -	\$ -	\$ 51,926

423	426	429	498	499	Total
LEP Student Succ. Initiative	Texas Educ. Excellence Award	State Funded Special Revenue	State Funded Special Revenue	State Funded Special Revenue	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,144,120
-	8,508	57	-	-	334,164
-	-	-	-	-	7,737,049
-	8,508	57	-	-	9,215,333
-	8,508	-	-	-	4,616,763
-	-	45	-	-	18,061
-	-	-	-	-	137,120
-	-	-	-	-	81,349
-	-	-	-	-	12,789
-	-	-	-	-	265,519
-	-	-	-	-	-
-	-	-	-	-	101,396
-	-	-	-	-	39,206
-	-	-	-	-	3,414,475
-	-	-	-	-	666
-	-	-	-	-	3,634
-	-	-	-	-	113
-	-	-	1,725	-	1,725
-	-	-	-	-	-
-	-	-	-	-	53,588
-	8,508	45	1,725	-	8,746,404
-	-	12	(1,725)	-	468,929
230	-	-	1,725	13	1,114,839
\$ 230	\$ -	\$ 12	\$ -	\$ 13	\$ 1,583,768

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1
For the Year Ended August 31, 2010

	1		2		3		10	
	Tax Rates				Net Assessed/ Appraised Value For School Tax Purposes		Beginning Balance 8/31/09	
<u>Last Ten Years</u>	<u>Maintenance</u>		<u>Debt Service</u>					
2001 and prior	\$	Various	\$	Various	\$	Various	\$	394,286
2002		1.5000		0.2200		854,941,141		59,132
2003		1.4700		0.2600		994,567,775		68,280
2004		1.4200		0.2900		1,103,811,752		79,376
2005		1.4600		0.2750		1,171,073,540		85,424
2006		1.4800		0.2550		1,289,843,686		120,252
2007		1.3520		0.2500		1,477,384,400		159,197
2008		1.0260		0.2800		1,702,594,002		234,531
2009		1.0400		0.3300		1,893,505,781		667,513
2010		1.0400		0.3300		1,989,547,518		-
1000 Totals							\$	1,867,991

20	30	30a	40	50
Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/10
\$ -	\$ 2,877	\$ 913	\$ (56,840)	\$ 333,656
-	563	178	1,976	60,367
-	3,252	1,032	4,226	68,222
-	4,989	1,583	301	73,105
-	11,640	3,693	5,794	75,885
-	27,090	8,596	7,167	91,733
-	42,035	13,338	16,933	120,757
-	94,964	30,133	49,963	159,397
-	374,856	118,945	78,728	252,440
27,256,801	20,212,384	6,413,545	145,756	776,628
<u>\$ 27,256,801</u>	<u>\$ 20,774,650</u>	<u>\$ 6,591,956</u>	<u>\$ 254,004</u>	<u>\$ 2,012,190</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF
INDIRECT COSTS FOR 2010-2011
GENERAL AND SPECIAL REVENUE FUNDS - EXHIBIT J-2
For the Year Ended August 31, 2010

Account Number		(1) 702	(2) 703	(3) 701
		School Board	Tax Collection	Superintendent's Office
611X-6146	Payroll costs	\$ -	\$ -	\$ 463,804
6149				
	Fringe benefits (unused leave not in functions 41 and 53)	-	-	6,196
6211	Legal services	93,621	-	-
6212	Audit services	-	-	-
6213	Tax appraisal/collection	-	222,556	-
6230	Education service centers	500	-	-
6260	Rentals	-	-	3,500
6290	Miscellaneous contracts	-	-	2,837
6320	Textbooks and reading	-	-	155
63XX	Other supplies	2,373	-	4,459
	Travel, subsistence, and			
6410	stipends	1,755	-	3,634
6420	Insurance and bonding	-	-	-
6490	Miscellaneous operating	2,692	-	1,625
6600	Capital outlay	-	-	-
Totals		<u>\$ 100,941</u>	<u>\$ 222,556</u>	<u>\$ 486,210</u>

Other Information:

Total expenditures for General and Special Revenue Funds (Exhibit C-3) (9) \$ 51,378,578

Less: Deductions of unallowed costs:

Fiscal Year

Total capital outlay (6600)	(10) \$	9,744,644	
Total debt and lease (6500)	(11)	-	
Plant maintenance (function 51, 6100-6400)	(12)	5,944,171	
Food (function 35, 6341 and 6499)	(13)	3,414,475	
Stipends (6413)	(14)	-	
Column (4) above - total indirect cost		<u>850,793</u>	
Subtotal			19,954,083
Net Allowable Direct Cost			<u>\$ 31,424,495</u>

Note A: \$38,481 in Function 53 expenditures and \$222,556 in Function 99 expenditures are included in this report on administrative costs.

(4) 750	(5) 720	(6) (Other)	(7)
Indirect Cost	Direct Cost	Miscellaneous	Total
\$ 747,619	\$ -	\$ 64,972	\$ 1,276,395
900	-	-	7,096
-	-	3,634	97,255
25,000	-	-	25,000
-	-	-	222,556
1,000	-	2,750	4,250
6,274	-	1,675	11,449
-	-	11,962	14,799
-	-	829	984
18,278	-	18,483	43,593
-	-	3,735	9,124
24,061	-	-	24,061
24,825	-	18,013	47,155
2,836	-	-	2,836
<u>\$ 850,793</u>	<u>\$ -</u>	<u>\$ 127,468</u>	<u>\$ 1,787,968</u>

Cumulative

Total cost of buildings before depreciation (1520)	(15) \$	103,622,067
Historical cost of buildings over 50 years old	(16)	299,532
Amount of federal money in building cost (Net of #16)	(17)	-
Total cost of furniture and equipment before depreciation (1530 and 1540)	(18)	5,411,162
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, 2010

1. Total general fund fund balance at year end (Exhibit C-1 object 3000 for the general fund only)	\$ 15,205,112
2. Total reserved fund balance at year end (Exhibit C-1 object 3400 for the general fund only)	107,298
3. Total designated fund balance (Exhibit C-1 object 3500 for the general fund only)	8,000,000
4. Estimated amount needed to cover fall cash flow deficits in general fund (net of borrowed funds and funds representing deferred revenues)	4,523,610
5. Estimate of one month average cash disbursements during the regular school session (9-1-09 to 5-31-10)	4,253,732
6. Estimate of delayed payments from state sources (58XX) including August payment delays	-
7. 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	-
8. Estimate of delayed payments from federal sources (59XX)	-
9. 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)	-
10. General fund optimum fund balance and cash flow (2+3+4+5+6+7+8+9)	16,884,640
11. Excess or Deficit Undesignated Unreserved General Fund Fund Balance (1-10)	\$ (1,679,528)

The District's administration will continue to monitor the general fund 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

CHILD NUTRITION PROGRAM - EXHIBIT J-4

For the year ended August 31, 2010

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	Revenues				
5700	Local and intermediate sources	\$ 1,115,956	\$ 1,115,956	\$ 1,142,738	\$ 26,782.00
5800	State program revenues	90,742	90,742	20,775	(69,967.00)
5900	Federal program revenues	2,136,686	2,136,686	2,357,766	221,080.00
5020	Total Revenues	<u>3,343,384</u>	<u>3,343,384</u>	<u>3,521,279</u>	<u>177,895</u>
	Expenditures				
	Current:				
0035	Food services	3,343,384	3,425,973	3,414,475	11,498
6030	Total Expenditures	<u>3,343,384</u>	<u>3,425,973</u>	<u>3,414,475</u>	<u>11,498</u>
1100	Excess (Deficiency) of				
	Revenues Over(Under) Expenditures	<u>-</u>	<u>(82,589)</u>	<u>106,804</u>	<u>189,393</u>
1200	Net Change in Fund Balances	-	(82,589)	106,804	189,393
0100	Beginning Fund Balances	479,922	479,922	479,922	-
3000	Ending Fund Balances	<u>\$ 479,922</u>	<u>\$ 397,333</u>	<u>\$ 586,726</u>	<u>\$ 189,393</u>

WILLIS INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND - EXHIBIT J-5

For the year ended August 31, 2010

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<u>Revenues</u>				
5700	Local and Intermediate Sources	\$ 6,722,013	\$ 6,722,013	\$ 6,862,209	\$ 140,196
5800		249,291	249,291	428,733	179,442
5020	Total Revenues	<u>6,971,304</u>	<u>6,971,304</u>	<u>7,290,942</u>	<u>319,638</u>
	<u>Expenditures</u>				
	Current:				
0071	Debt service - principal	4,054,400	4,054,400	4,054,400	-
0072	Debt service - interest and fees	4,114,832	4,114,832	4,099,737	15,095
0073	Bond issuance costs	-	-	175,348	(175,348)
6030	Total Expenditures	<u>8,169,232</u>	<u>8,169,232</u>	<u>8,329,485</u>	<u>(160,253)</u>
1100	Excess (Deficiency) of				
	Revenues Over(Under) Expenditures	<u>(1,197,928)</u>	<u>(1,197,928)</u>	<u>(1,038,543)</u>	<u>159,385</u>
	<u>Other Financing Sources (Uses)</u>				
7911	Sales of bonds	-	-	14,116,688	14,116,688
8949	Payment to refunding bond escrow	-	-	(13,939,721)	(13,939,721)
7080	Total Other Financing				
7080	Sources (Uses)	<u>-</u>	<u>-</u>	<u>176,967</u>	<u>176,967</u>
1200	Net Change in Fund Balances	<u>(1,197,928)</u>	<u>(1,197,928)</u>	<u>(861,576)</u>	<u>336,352</u>
0100	Beginning Fund Balances	<u>1,714,825</u>	<u>1,714,825</u>	<u>1,714,825</u>	<u>-</u>
3000	Ending Fund Balances	<u><u>\$ 516,897</u></u>	<u><u>\$ 516,897</u></u>	<u><u>\$ 853,249</u></u>	<u><u>\$ 336,352</u></u>

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COMPLIANCE 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, 2010

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

We have audited the financial statements of the governmental 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2010 . 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Providing Governmental & Nonprofit Audits Sealed with Excellence

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

December 30, 2010

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

Compliance

We have audited the compliance of Willis Independent School District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2010. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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, 2010

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

WILLIS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended August 31, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified 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 unqualified 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:

ARRA, Title XIV, SFSF	84.394
Title I Cluster	84.010 and 84.389
Child Nutrition Cluster	10.553, 10.555 and 10.559
IDEA, Part B Cluster	84.027, 84.173, 84.391 and 84.392

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 Noted

C. FINDINGS – FEDERAL AUDIT AWARDS

None Noted

WILLIS
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1
For the Year Ended August 31, 2010

(1) Federal Grantor/Pass Through Grantor/Program or Cluster Title	(2) FEDERAL CFDA NUMBER	(2A) ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
ESEA Title I, Part A*	84.010	10610101170904	\$ 722,012
IDEA B, Formula*	84.027	106600011709046600	1,163,622
Carl Perkins, Basic Grant	84.048	10420006170904	58,914
IDEA B, Preschool*	84.173	106610011709046610	26,667
ESEA Title IV, Part A	84.186	2930935149911	4,000
Title III, English Language	84.365	10671001170904	95,276
Title II, Part A	84.367	10694501170904	186,311
ARRA Title II, D Technology	84.386	10553001170904	7,276
ARRA, Title I, Part A*	84.389	10551001170904	275,628
ARRA IDEA B, Formula*	84.391	10554001170904	447,285
ARRA IDEA B, Preschool*	84.392	10555001170904	14,299
ARRA Title XIV, SFSF	84.394	10557001170904	1,800,423
TOTAL U.S. DEPARTMENT OF EDUCATION			4,801,713
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education			
School Breakfast Programs*	10.553	71401001	690,094
National School Lunch*	10.555	71301001	1,507,031
Summer Feeding Program*	10.559	170904	19,630
USDA Commodities	10.565	170904	141,011
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,357,766
U.S. DEPARTMENT OF HEALTH			
Medical Assistance Program	93.778	170904	27,084
Medicaid	93.778	170904	550,486
TOTAL U.S. DEPARTMENT OF HEALTH			577,570
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 7,737,049

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

Revenue from federal sources per Exhibit C-2	\$ 7,833,732
SHARS revenue not to be included in SEFA	(96,683)

The accompanying notes are an integral part of this schedule.	Expenditures of Federal Awards	<u>\$ 7,737,049</u>
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WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2010

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the 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.

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the Year Ended August 31, 2010

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? - Was there an unqualified 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>\$ 7,040,353</u>