

**LONDON
INDEPENDENT
SCHOOL DISTRICT**

*Annual Financial Report
For the Year Ended August 31, 2025*



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

Introductory Section

London Independent School District
Annual Financial Report
For The Year Ended August 31, 2025

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CERTIFICATE OF BOARD

London Independent School District
Name of School District

Nueces
County

178906
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2025, at a meeting of the board of trustees of such school district on the 12th day of January, 2026.



Signature of Board Secretary



Signature of Board President

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

Financial Section



GOWLAND, MORALES & SMITH, PLLC

Certified Public Accountants

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Independent Auditor's Report

To the Board of Trustees
London Independent School District
1306 FM 43
Corpus Christi, Texas 78415

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the London Independent School District ("the District"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the London Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of London Independent School District, as of August 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of London Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about London Independent School District's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise London Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information as identified in the table of contents comprises the information included in the annual report but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2025 on our consideration of London Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering London Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
November 24, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of London Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

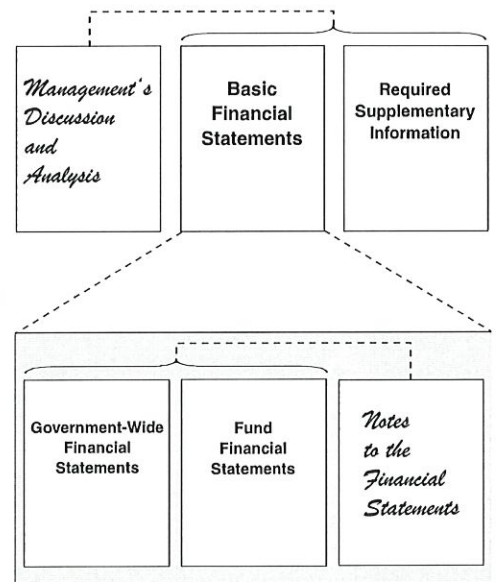
- The District's total combined net position was \$14,702,157 at August 31, 2025.
- During the year, the District's expenses were \$1,477,930 lower than the \$2,4684,838 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$1,457,340 higher than last year.
- The general fund reported a fund balance this year of \$7,411,271 A decrease of \$700,364.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.
- *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 resources in question belong.

Figure A-1F, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Summary  Detail

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two 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.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	♦ Statement of net position	♦ Balance sheet	♦ Statement of net assets	♦ Statement of fiduciary net assets
	♦ Statement of activities	♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of revenues, expenses and changes in fund net assets ♦ Statement of cash flows	♦ Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. 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 a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's total net position was approximately 14,702,157, August 31, 2025. (See Table A-1).

TABLE A-1
The District's Statement of Net Position
(in dollars)

	Governmental Activities		Total Change
	2025	2024	
Current and Other Assets	\$ 15,736,831	\$ 24,764,178	\$ (9,027,347)
Capital and Non-Current	101,542,039	84,872,341	16,669,698
Total Assets	<u>117,278,870</u>	<u>109,636,519</u>	<u>7,642,351</u>
Deferred Outflows of Resources	<u>5,472,751</u>	<u>3,096,368</u>	<u>2,376,383</u>
Current Liabilities	1,401,303	1,456,247	(54,944)
Noncurrent Liabilities	96,937,644	94,013,937	2,923,707
Total Liabilities	<u>98,338,947</u>	<u>95,470,184</u>	<u>2,868,763</u>
Deferred Inflows Related to Pensions	<u>2,654,566</u>	<u>3,307,478</u>	<u>(652,912)</u>
Net Assets Invested in			
Capital Assets net of			
Related Debt	14,407,572	2,735,334	11,672,238
Restricted	5,736,869	15,254,278	(9,517,409)
Unrestricted	(5,442,284)	(4,029,387)	(1,412,897)
Total Net Position	<u>\$ 14,702,157</u>	<u>\$ 13,960,225</u>	<u>\$ 741,932</u>

Net position Invested in Capital Assets net of related Debt reflects the book value of the District's capital assets at \$14,407,572 less related debt. The District's restricted net position includes state and federal programs, debt service, capital projects and campus activities. The \$(5,442,284) of unrestricted net assets represents resources available for investments, capital projects and programs.

Changes in net position. The District's total revenues were \$24,684,838. Of that, 47 percent of the District's revenue comes from taxes, 32 percent comes from state aid not restricted to specific programs, and 11 percent comes from operating grants, while only 5 percent relates to charges for services.

The total cost of all programs and services was \$23,206,908; 55 percent of these costs are for direct student services, which include: instruction, instructional resources, guidance and counseling, food services, health services, transportation, and co-curricular activities.

Governmental Activities

- Total property tax rate decreased from \$1.1692/100 to \$1.1669, which includes \$.50/100 for debt service on bonds, and \$.6669/100 maintenance and operations.
- Certified property values totaled \$1,035,156,382, a 12% increase from the prior year value of \$913,895,009, the net result of a continued increase in residential growth along with increased average market and appraised value of residences. In addition, new developments in commercial properties also increased in value.

Table A-2
Changes in London School District's Net Position
(in dollars)

	Governmental Activities		Total Change
	2025	2024	
Program Revenues:			
Charges for Services	\$ 1,134,903	\$ 1,121,147	\$ 13,756
Operating Grants and Contributions	2,783,154	2,916,804	(133,650)
General Revenues:			-
Property Taxes	11,566,207	10,453,683	1,112,524
State Aid – Formula	7,923,584	7,616,482	307,102
Investment Earnings	1,011,150	1,830,150	(819,000)
Other	265,840	84,729	181,111
Total Revenues	<u>24,684,838</u>	<u>24,022,995</u>	<u>661,843</u>
Instruction	8,850,748	8,406,132	444,616
Instructional Resources and Media Services	102,785	101,467	1,318
Curriculum Dev. And Instructional Staff Dev.	227,652	192,988	34,664
Instructional Leadership	95,839	97,128	(1,289)
School Leadership	1,000,705	839,621	161,084
Guidance, Counseling and Evaluation Services	467,610	390,579	77,031
Health Services	203,973	165,600	38,373
Student (Pupil) Transportation	701,043	868,942	(167,899)
Food Services	1,409,196	1,200,006	209,190
Curricular/Extracurricular	1,161,923	919,415	242,508
General Administration	1,070,695	920,265	150,430
Plant Maintenance & Oper.	2,943,533	2,568,862	374,671
Security and Monitoring Services	590,855	1,052,758	(461,903)
Data Processing Services	461,125	383,076	78,049
Community Service	448		448
Bond Issuance Costs and Fees	214,471	266,896	(52,425)
Interest on Long-term Debt	3,558,219	3,245,069	313,150
Capital Outlay	-	4,466	(4,466)
Other Intergovernmental Charges	146,088	126,298	19,790
Total Expenses	<u>23,206,908</u>	<u>21,749,568</u>	<u>1,457,340</u>
Change in Net Position	1,477,930	2,273,427	(795,497)
Net Position Beginning	13,960,225	11,686,798	2,273,427
Prior Period Adjustment	(735,998)		(735,998)
Net Position Ending	<u>\$ 14,702,157</u>	<u>\$ 13,960,225</u>	<u>\$ 741,932</u>

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$23,206,908.
- However, the amount that our taxpayers paid for these activities through property taxes was only 11,566,207.
- Some of the cost was paid by those who directly benefited from the programs \$1,134,903, or
- By grants and contributions \$2,783,154.

Table A-3
Net Cost of Selected District Functions
(in dollars)

	Total Cost of Services		% Change	Net cost of Services		% Change
	2025	2024		2025	2024	
Instruction	\$ 8,850,748	\$ 8,406,132	5.29%	\$ 7,788,065	\$ 7,174,301	8.56%
Plant Maintenance & Operations	2,943,533	2,568,862	14.59%	2,771,860	2,356,893	17.61%
General Administration	1,070,695	920,265	16.35%	1,007,905	845,955	19.14%
Student(Pupil) Transportation	701,043	868,942	-19.32%	662,549	801,133	-17.30%
Food Service	1,409,196	1,200,006	17.43%	32,723	(49,251)	-166.44%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$25,124,621, an increase of 3% from the preceding year. Revenue decreased \$133,650 from operating grants and contributions and charges for services increased by \$13,756. Operating grants and contributions were impacted with a decrease due to the depletion of Safety and Security grant funds resulting in less revenue. Charges for services increased due to charging fees for athletic games that were waived last year because renovations were not complete. Property tax revenue increased by \$1,112,524 due to an increase in the residential growth in both units and property value. Although rates remained steady throughout the year, investment revenue declined by \$819,000 due to investing less funds. The district is classified as a Chapter 41 district, but is not subject to recapture of excess revenue because of a hold-harmless provision still in place under current law. In addition, there was an increase in State Aid revenue by \$307,102 due to student enrollment and attendance growth.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget from time to time. Actual expenditures equaled final budget amounts. Total Instructional and Instr. Related Services was greater than budget by \$1, Instructional and School Leadership was also greater than budget by \$2, as well as Student Support Services by \$12,784, and Total Support Services by \$3,999 due to having more expenditures for the year. Total Administrative Support Services were less than budget by \$16,784, as well as Capital Outlay by \$1 due to having less expenditures for the year.

Total revenues equaled the final budgeted amount. Local and Intermediate Sources was greater than budget by \$1 due to additional revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024-25, the District had invested \$101,542,039 in a broad range of capital assets with a unit cost of \$5,000 or more, including land, buildings, vehicles, and equipment. (See Table A-4.)

Capital Assets
(in actual dollars)

	Governmental Activities		Total Change
	2025	2024	
Land	\$ 392,251	\$ 392,251	\$ -
Buildings and Improvements	44,579,518	44,133,880	445,638
Vehicles	2,201,303	1,933,103	268,200
Furniture and Equipment	1,554,134	1,327,428	226,706
Construction in Progress	64,633,248	47,556,195	17,077,053
Right to Use Leased Assets	2,167,995	2,167,995	-
Totals at historical cost	115,528,449	97,510,852	18,017,597
			-
Total accumulated depreciation	13,986,410	12,638,511	1,347,899
Net capital assets	\$ 101,542,039	\$ 84,872,341	\$ 16,669,698

Long Term Debt

The District has \$87,394,973 in bonds payable, for the construction of voter approved construction. The District issued 2024 Unlimited Tax School Bonds in 2025 for \$7,100,000.. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

Table A-5
London Independent School District's Long Term Debt
(In dollars)

	Governmental Activities		Total Change
	2025	2024	
Bonds payable	\$ 87,394,973	\$ 82,142,247	5,252,726
Premium	3,714,563	3,661,970	52,593
Accretion on Capital Appreciation			
Bonds	3,208,820	3,145,281	63,539
Compensated Absences	594,532	735,998	(141,466)
Right to Use Liability	2,024,756	2,079,664	(54,908)
Total bonds & notes payable	\$ 96,937,644	\$ 91,765,160	5,172,484

The District implemented GASB Statement No. 101 during the year ended 2025. A prior period adjustment of \$735,998 was required to record the beginning balance of the compensated absence liability for the year ended 2024.

The adoption of Statement No. 101 has no impact on the District's governmental fund financial statements, which continue to report leave expenditures as they are incurred during the course of the year. However, the adoption has resulted in reporting in the government-wide financial statements to reflect the net compensated absence liability

and deferred inflows of resources and deferred outflows of resources for its qualified plan and the recognition of expense in accordance with the provisions of the Statement.

Net Pension Liability

The District implemented GASB Statement No. 68 during the year ended August 31, 2015. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

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

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

Other Post-Employment Benefit Plans (OPEB)

The District implemented GASB Statement No. 75 during the year ended August 31, 2018. A prior period adjustment of \$4,423,178 was required to record the beginning balance of the pension liability for the year ended August 31, 2017. The district participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefits (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575

The adoption of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of health insurance unaffected by the change. However, the adoption has resulted in reporting in the government-wide financial statements to reflect the net OPEB liability and deferred inflows of resources and deferred outflows of resources for its qualified plan and the recognition of expense in accordance with the provisions of the Statement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- General operating fund expenditure budget per student is expected to increase 13.8% from \$8,917 per average daily attendance (ADA) in 2024-25 to \$10,343 in 2025-26. The increased cost per ADA is a result of the increase in Student enrollment of approximately 12.31%. There was an overall increase of 19.5% in budgeted expenditures.
- Total tax rate for 2025-26 will decrease by 0.0020 cents from \$1.1669 to \$1.1649 per \$100 property valuation. The M&O tax rate will decrease 0.0020 cents to \$.6649/100. The I&S rate which pays for outstanding bonds will remain the same rate of \$.5000/100.
- Although the District was impacted by the tax compression and the increased homestead exemption, tax and state revenue is expected to increase due to the growing number of residential housing developments, enrollment growth and attendance for the 2025-26 general operating fund budget.

- Investment rates continue to decline or remain steady, however we expect earnings to decrease due to having less funds available to invest. Steady or declined investment pool rates are also expected for most of the next year.
- The cost of property insurance increased 26.8% from 2023-24 to 2024-25 and is expected to decrease by 1.7% for 2025-26. The 2025-26 budget of \$909,000 cost is a result of hurricane, fire and cold weather losses that have occurred in Texas and the US in 2018 and 2024, as well as added facilities from Bond 2022 projects. Utilities costs should remain fairly steady because of a multi-year electricity contract.
- Based on implementation of a salary study, a proposed increase of 5% for all employees will increase payroll costs for 2025-26. Twenty-eight new positions will be added to address expected enrollment growth of 12.31%.
- The District expects continued enrollment growth as a result of increased residential housing developments in the area, as well as commercial business expansions.
- The windfarm within the school district boundaries was added to the tax rolls in 2018. It increased the taxable value of district property by about \$300 million for the 2018-19 fiscal year. That represented a large increase of approximately 80%, which provided substantial increased tax revenues for 2018-19. Although the assessed taxable value of the windfarm is subject to decline of about 10% per year, it is expected to be a steady decrease each year. A projected upswing in residential housing development and some business growth, is expected to offset the windfarm value losses, and result in overall value increases in future years.

These indicators were taken into account when adopting the general fund budget for 2025-26. Revenues available for appropriation in the general fund budget are \$19,263,075 an increase of 19.5% over the final 2024-25 revenue budget of \$16,120,476. A property tax value increase of 1.3% will increase tax revenue by \$86,891 due to the additional residential and commercial developments. State revenue will increase by \$3,274,708 (37.3%) with steady growth in student enrollment and attendance, as well as funding from HB3 legislation. The District is subject to the regulations of Chapter 41 of the Texas Education Code related to district property wealth per student, however, under a hold-harmless provision of the state funding laws that remains in place, the District still will not be subject to recapture for 2025-26 according to information available at this time. That could change later in subsequent years with property value increases, and depending on enrollment growth rates or changes in the law.

General Fund expenditures for the 2025-26 fiscal year are budgeted at \$19,263,075, an increase of 19.5% over last year's final amended budget of \$16,120,476. The budget provides a salary increase for all positions, twenty-eight added positions, and supplies and materials for increased student enrollment growth and programs, security measure improvements, deferred facility maintenance repairs, as well as an increase in utilities and insurance for added facilities.

If these estimates are realized, the District's budgetary general fund balance is expected to remain unchanged at \$7.4 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office.

Basic Financial Statements

LONDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2025

Data Control Codes		1	Governmental Activities
ASSETS:			
1110	Cash and Cash Equivalents	\$	1,803,403
1120	Current Investments		11,114,273
1225	Property Taxes Receivable (Net)		142,471
1240	Due from Other Governments		2,252,644
1410	Unrealized Expenses		424,040
Capital Assets:			
1510	Land		392,252
1520	Buildings and Improvements, Net		32,424,078
1530	Furniture and Equipment, Net		2,111,148
1550	Right to Use Assets, Net		1,981,313
1580	Construction in Progress		64,633,248
1000	Total Assets		<u>117,278,870</u>
DEFERRED OUTFLOWS OF RESOURCES:			
	Deferred Outflow of Resources - Undesignated		2,382,463
	Deferred Outflow Related to Pensions		1,226,510
	Deferred Outflow Related to OPEB		1,863,778
1700	Total Deferred Outflows of Resources		<u>5,472,751</u>
LIABILITIES:			
2110	Accounts Payable		1,218,234
2165	Accrued Liabilities		1,056,011
2300	Unearned Revenue		27,058
Noncurrent Liabilities:			
2501	Due Within One Year		2,248,173
2502	Due in More Than One Year		94,689,471
2540	Net Pension Liability		3,607,632
2545	Net OPEB Liability		2,548,319
2000	Total Liabilities		<u>105,394,898</u>
DEFERRED INFLOWS OF RESOURCES:			
	Deferred Inflow Related to Pensions		168,748
	Deferred Inflow Related to OPEB		2,485,818
2600	Total Deferred Inflows of Resources		<u>2,654,566</u>
NET POSITION:			
3200	Net Investment in Capital Assets		14,407,572
Restricted For:			
3820	State and Federal Programs		831,207
3850	Debt Service		870,283
3860	Capital Projects		4,035,379
3900	Unrestricted		(5,442,284)
3000	Total Net Position	\$	<u>14,702,157</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 8,850,748	\$ 129,549	\$ 933,134	\$ (7,788,065)
12	Instructional Resources and Media Services	102,785	1,577	4,622	(96,586)
13	Curriculum and Staff Development	227,652	3,358	12,729	(211,565)
21	Instructional Leadership	95,839	1,450	4,249	(90,140)
23	School Leadership	1,000,705	15,313	44,878	(940,514)
31	Guidance, Counseling, and Evaluation Services	467,610	7,122	20,873	(439,615)
33	Health Services	203,973	3,027	8,871	(192,075)
34	Student Transportation	701,043	9,793	28,701	(662,549)
35	Food Service	1,409,196	880,536	495,937	(32,723)
36	Cocurricular/Extracurricular Activities	1,161,923	13,863	40,628	(1,107,432)
41	General Administration	1,070,695	15,974	46,816	(1,007,905)
51	Facilities Maintenance and Operations	2,943,533	43,675	127,998	(2,771,860)
52	Security and Monitoring Services	590,855	2,696	555,768	(32,391)
53	Data Processing Services	461,125	6,970	20,426	(433,729)
61	Community Services	448	--	--	(448)
72	Interest on Long-term Debt	3,558,219	--	437,524	(3,120,695)
73	Bond Issuance Costs and Fees	214,471	--	--	(214,471)
99	Other Intergovernmental Charges	146,088	--	--	(146,088)
TG	Total Governmental Activities	<u>23,206,908</u>	<u>1,134,903</u>	<u>2,783,154</u>	<u>(19,288,851)</u>
TP	Total Primary Government	<u>\$ 23,206,908</u>	<u>\$ 1,134,903</u>	<u>\$ 2,783,154</u>	<u>(19,288,851)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				6,613,277
DT	Property Taxes, Levied for Debt Service				4,952,930
IE	Investment Earnings				1,011,150
SF	State Aid-Formula Grants				7,923,584
MI	Miscellaneous				265,840
TR	Total General Revenues				<u>20,766,781</u>
CN	Change in Net Position				1,477,930
NB	Net Position - Beginning				13,960,225
PA	Prior Period Adjustment				(735,998)
	Net Position - Beginning, as Restated				13,224,227
NE	Net Position - Ending				<u>\$ 14,702,157</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 627,995	\$ 101,382
1120 <i>Current Investments</i>	5,767,658	771,397
1225 <i>Taxes Receivable, Net</i>	80,487	61,984
1240 <i>Due from Other Governments</i>	2,027,515	(2,496)
1410 <i>Unrealized Expenditures</i>	424,040	--
1000 Total Assets	<u>8,927,695</u>	<u>932,267</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 433,255	\$ --
2150 <i>Payroll Deductions and Withholdings</i>	142,143	--
2160 <i>Accrued Wages Payable</i>	816,877	--
2200 <i>Accrued Expenditures</i>	43,662	--
2300 <i>Unearned Revenue</i>	--	--
2000 Total Liabilities	<u>1,435,937</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES:		
<i>Deferred Revenue</i>	80,487	61,984
2600 Total Deferred Inflows of Resources	<u>80,487</u>	<u>61,984</u>
FUND BALANCES:		
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3480 <i>Retirement of Long-Term Debt</i>	--	870,283
3490 <i>Other Restrictions of Fund Balance</i>	--	--
Committed Fund Balances:		
3510 <i>Construction</i>	3,069,760	--
3600 <i>Unassigned</i>	4,341,511	--
3000 Total Fund Balances	<u>7,411,271</u>	<u>870,283</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 8,927,695</u>	<u>\$ 932,267</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	onmf Other Governmental Funds	98 Total Governmental Funds
\$ 260,505	\$ 813,522	\$ 1,803,404
4,411,713	163,505	11,114,273
--	--	142,471
--	227,625	2,252,644
--	--	424,040
<u>4,672,218</u>	<u>1,204,652</u>	<u>15,736,832</u>
\$ 636,839	\$ 148,140	\$ 1,218,234
--	--	142,143
--	53,329	870,206
--	--	43,662
--	27,058	27,058
<u>636,839</u>	<u>228,527</u>	<u>2,301,303</u>
--	--	142,471
<u>--</u>	<u>--</u>	<u>142,471</u>
--	831,207	831,207
--	--	870,283
--	144,918	144,918
4,035,379	--	7,105,139
--	--	4,341,511
<u>4,035,379</u>	<u>976,125</u>	<u>13,293,058</u>
\$ <u>4,672,218</u>	\$ <u>1,204,652</u>	\$ <u>15,736,832</u>

LONDON INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025*

Total fund balances - governmental funds balance sheet \$ 13,293,058

Amounts reported for governmental activities in the Statement of Net Position
("SNP") are different because:

Capital assets used in governmental activities are not reported in the funds.	101,542,038
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	142,471
Payables for bond principal which are not due in the current period are not reported in the funds.	(87,394,973)
Payables for right-to-use leases which are not due in the current period are not reported in the funds.	(2,024,756)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(594,532)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	2,382,463
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(3,607,632)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(168,748)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,226,510
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(3,208,821)
Bond premiums are amortized in the SNA but not in the funds.	(3,714,563)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(2,548,319)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,485,818)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	1,863,778
Other reconciling items	1

Net position of governmental activities - Statement of Net Position \$ 14,702,157

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 7,271,604	\$ 5,094,267
5800 <i>State Program Revenues</i>	9,089,788	437,524
5900 <i>Federal Program Revenues</i>	18,000	--
5020 <i>Total Revenues</i>	<u>16,379,392</u>	<u>5,531,791</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	8,190,775	--
0012 <i>Instructional Resources and Media Services</i>	99,047	--
0013 <i>Curriculum and Staff Development</i>	211,432	--
0021 <i>Instructional Leadership</i>	91,652	--
0023 <i>School Leadership</i>	965,032	--
0031 <i>Guidance, Counseling, and Evaluation Services</i>	449,057	--
0033 <i>Health Services</i>	189,999	--
0034 <i>Student Transportation</i>	880,371	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	1,012,633	--
0041 <i>General Administration</i>	1,015,962	--
0051 <i>Facilities Maintenance and Operations</i>	2,759,042	--
0052 <i>Security and Monitoring Services</i>	181,830	--
0053 <i>Data Processing Services</i>	438,910	--
0071 <i>Principal on Long-term Debt</i>	54,908	1,847,274
0072 <i>Interest on Long-term Debt</i>	41,092	3,498,398
0073 <i>Bond Issuance Costs and Fees</i>	--	3,616
0081 <i>Capital Outlay</i>	96,686	--
0099 <i>Other Intergovernmental Charges</i>	146,088	--
6030 <i>Total Expenditures</i>	<u>16,824,516</u>	<u>5,349,288</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>		
1100 <i>Expenditures</i>	<u>(445,124)</u>	<u>182,503</u>
Other Financing Sources and (Uses):		
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	--
7915 <i>Transfers In</i>	--	--
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	--
8911 <i>Transfers Out</i>	(255,240)	--
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>(255,240)</u>	<u>--</u>
1200 <i>Net Change in Fund Balances</i>	<u>(700,364)</u>	<u>182,503</u>
0100 <i>Fund Balances - Beginning</i>	8,111,635	687,780
3000 <i>Fund Balances - Ending</i>	<u>\$ 7,411,271</u>	<u>\$ 870,283</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund	onmf Other Governmental Funds	98 Total Governmental Funds
\$ 556,310	\$ 1,056,974	\$ 13,979,155
--	686,073	10,213,385
--	914,081	932,081
<u>556,310</u>	<u>2,657,128</u>	<u>25,124,621</u>
--	528,003	8,718,778
--	--	99,047
--	2,599	214,031
--	--	91,652
--	--	965,032
--	--	449,057
--	--	189,999
--	--	880,371
--	1,394,402	1,394,402
--	212,844	1,225,477
12,545	--	1,028,507
--	--	2,759,042
--	381,924	563,754
--	--	438,910
--	--	1,902,182
--	--	3,539,490
210,855	--	214,471
17,399,665	--	17,496,351
--	--	146,088
<u>17,623,065</u>	<u>2,519,772</u>	<u>42,316,641</u>
(17,066,755)	137,356	(17,192,020)
7,100,000	--	7,100,000
255,240	--	255,240
210,855	--	210,855
--	--	(255,240)
<u>7,566,095</u>	<u>--</u>	<u>7,310,855</u>
(9,500,660)	137,356	(9,881,165)
13,536,039	838,769	23,174,223
<u>\$ 4,035,379</u>	<u>\$ 976,125</u>	<u>\$ 13,293,058</u>

LONDON INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025*

Net change in fund balances - total governmental funds \$ (9,881,165)

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	18,096,103
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,421,587)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(4,818)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	3,763
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,847,274
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.	54,908
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	158,262
The accretion of interest on capital appreciation bonds is not reported in the funds.	(63,540)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	141,466
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(7,100,000)
Bond premiums are reported in the funds but not in the SOA.	(210,855)
Bond discounts are reported in the funds but not in the SOA.	(113,451)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(235,356)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	206,926

Change in net position of governmental activities - Statement of Activities \$ 1,477,930

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2025**

		Custodial Fund
Data Control Codes		Student Activity
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 212,569
1000	Total Assets	<u>212,569</u>
	LIABILITIES:	
	Current Liabilities:	
2110	<i>Accounts Payable</i>	\$ 1,423
2000	Total Liabilities	<u>1,423</u>
	NET POSITION:	
3800	<i>Restricted for Other Purposes</i>	211,146
3000	Total Net Position	<u>\$ 211,146</u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Custodial Funds
ADDITIONS:	
Investment Income	\$ --
Net (Decrease) in Fair Value of Investments	--
Employer Contributions	--
Plan Member Contributions	--
Contributions from Foundations, Gifts and Bequests	31,226
Student Group Fundraising Activities	208,298
Total Additions	<u>239,524</u>
DEDUCTIONS:	
Benefits	--
Refunds of Contributions	--
Other Supplies	184,062
Total Deductions	<u>184,062</u>
Change in Fiduciary Net Position	55,462
Net Position-Beginning of the Year	155,684
Prior Period Adjustment	--
Net Position-End of the Year	<u><u>\$ 211,146</u></u>

The accompanying notes are an integral part of this statement.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund accumulates funds to pay off the District's bonded indebtedness.

Capital Projects Fund: This fund is used to account for construction activities.

In addition, the District reports the following fund types:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

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

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

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 151,629	\$ 115,139	\$ 266,768
Allowance for Uncollectibles	(71,142)	(53,155)	(124,297)
Net Taxes	<u>\$ 80,487</u>	<u>\$ 61,984</u>	<u>\$ 142,471</u>

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Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-60
Building Improvements	15-20
Vehicles	8-10
Office Equipment	5-15
Right-to-use Lease Assets	5

d. Leases (GASB 87)

The District recognizes lease liabilities and corresponding right-to-use lease assets for leases with terms greater than 12 months. Lease liabilities are measured at the present value of expected lease payments. Right-to-use assets are amortized over the shorter of the lease term or useful life. Short-term (12 months or less) are expensed as incurred.

e. Subscription-Based Information Technology Arrangements (SBITAs - GASB 96)

The District recognizes intangible right-to-use subscription assets and related liabilities for subscription-based information technology arrangements (SBITAs) with terms over 12 months. Subscription assets are amortized over the term of the agreement. Short-term SBITAs are expensed as incurred.

f. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

g. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

h. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave in a lump case payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

i. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

k. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

l. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

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Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

m. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

n. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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5. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to / deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

6. Implementation of New Standards

In the current fiscal year, the District did not implement any new standards from the Governmental Accounting Standards Board (GASB).

GASB Statement No. 101, *Compensated Absences*

In the current fiscal year, the District implemented GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - should not be recognized until the leave commences. A liability for specific types of compensated absences should not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and for all reporting periods thereafter. The District has elected to early adopt Statement No. 101. for the current year.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,015,970 and the bank balance was \$2,323,334. The District's cash deposits at August 31, 2025 and during the year ended August 31, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	\$ 8,099,236
Certificate of Deposits	Various	2,015,037
Money Market Savings	N/A	1,000,000
		<u>11,114,273</u>

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

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a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 392,251	\$ --	\$ --	\$ 392,251
Construction in progress	47,556,195	17,077,053	--	64,633,248
Total capital assets not being depreciated	47,948,446	17,077,053	--	65,025,499

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Capital assets being depreciated:

Buildings and improvements	44,133,880	454,306	8,668	44,579,518
Equipment	1,327,428	296,544	69,838	1,554,134
Vehicles	1,933,103	268,200	--	2,201,303
Right-to-use lease assets	2,167,995	--	--	2,167,995
Total capital assets being depreciated	49,562,406	1,019,050	78,506	50,502,950
Less accumulated depreciation for:				
Buildings and improvements	(11,054,480)	(1,109,628)	(8,668)	(12,155,440)
Equipment	(529,138)	(125,606)	(65,020)	(589,724)
Vehicles	(940,475)	(114,089)	--	(1,054,564)
Right-to-use lease assets	(114,418)	(72,264)	--	(186,682)
Right-to-use subscription assets	--	--	--	--
Total accumulated depreciation	(12,638,511)	(1,421,587)	(73,688)	(13,986,410)
Total capital assets being depreciated, net	36,923,895	(402,537)	4,818	36,516,540
Governmental activities capital assets, net	\$ 84,872,341	\$ 16,674,516	\$ 4,818	\$ 101,542,039

Depreciation was charged to functions as follows:

Instruction	\$ 622,292
Instructional Resources and Media Services	7,227
Curriculum and Staff Development	16,006
Instructional Leadership	6,738
School Leadership	70,359
Guidance, Counseling, & Evaluation Services	32,877
Social Work Services	13,694
Student Transportation	114,098
Food Services	99,541
Extracurricular Activities	81,256
General Administration	75,052
Plant Maintenance and Operations	207,862
Security and Monitoring Services	41,727
Data Processing Services	32,410
Community Services	448
	<u>\$ 1,421,587</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

NONE

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2025, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Capital Projects Fund	\$ 255,240	Supplement other funds sources
	Total	<u>\$ 255,240</u>	

LONDON INDEPENDENT SCHOOL DISTRICT
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F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2025, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
2014 Unlimited Tax School Building Bonds 4.0% \$	237,247 \$		\$ 122,274 \$	114,973 \$	
2015 Unlimited Tax School Building Bonds 4.0%	1,360,000		280,000	1,080,000	465,000
2018 Unlimited Tax School Building and Refunding Bonds 4.0%-5.0%	1,230,000		625,000	605,000	605,000
2020 Unlimited Tax Refunding Bonds 2.411%	23,365,000		280,000	23,085,000	290,000
2022 Unlimited Tax School Building Bonds 5.0%	39,450,000		200,000	39,250,000	270,000
2023 Unlimited Tax School Building Bonds 5.0%	16,500,000		205,000	16,295,000	215,000
2024 Unlimited Tax School Building Bonds 5.0%		7,100,000	135,000	6,965,000	120,000
Total Bonds	82,142,247	7,100,000	1,847,274	87,394,973	1,965,000
Premium	3,661,970	210,855	158,262	3,714,563	
Accretion on Capital Appreciation Bonds	3,145,280	63,540		3,208,820	
Compensated Absences	735,998		141,466	594,532	227,157
Right to Use Lease liability 2%	2,079,664		54,908	2,024,756	56,016
Total governmental activities	\$ 91,765,159	\$ 7,374,395	\$ 2,201,910	96,937,644	\$ 2,248,173
Due Within One Year				(2,248,173)	
Due in More Than One Year				\$ 94,689,471	
Net Pension Liability	\$ 3,690,764		\$ 83,132	\$ 3,607,632	
Net OPEB Liability	\$ 1,789,925	\$ 758,394		\$ 2,548,319	

The District implemented GASB Statement No. 101 during the year ended 2024. A prior period adjustment of \$735,998 was required to record the beginning balance of the compensated absence liability for the year ended 2024.

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The adoption of Statement No. 101 has no impact on the District's governmental fund financial statements, which continue to report leave expenditures as they are incurred during the course of the year. However, the adoption has resulted in reporting in the government-wide financial statements to reflect the net compensated absence liability and deferred inflows of resources and deferred outflows of resources for its qualified plan and the recognition of expense in accordance with the provisions of the Sta

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund
Claims and judgments	Governmental	General Fund
Net Pension Liability *	Governmental	General Fund

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2025, are as follows:

Governmental Activities			
Year Ending August 31,	Bonds		
	Principal	Interest	Total
2026	\$ 1,965,000	3,596,640	5,561,640
2027	2,050,000	3,510,940	5,560,940
2028	1,258,623	4,318,616	5,577,239
2029	888,076	4,702,964	5,591,040
2030	948,274	4,655,515	5,603,789
2031-2035	12,205,000	16,008,290	28,213,290
2036-2040	14,525,000	14,106,856	28,631,856
2041-2045	17,445,000	11,714,035	29,159,035
2046-2050	20,965,000	8,860,890	29,825,890
2051-2055	15,145,000	7,480,225	22,625,225
Totals	\$ 87,394,973	\$ 78,954,971	\$ 166,349,944

Right to Use Lease Liability			
Year Ending August 31,			
	Principal	Interest	Total
2026	\$ 56,016	\$ 39,984	\$ 96,000
2027	57,147	38,853	96,000
2028	58,406	37,594	96,000
2029	59,490	36,510	96,000
2030	60,690	35,310	96,000
2031	61,915	34,085	96,000
2032	63,165	32,835	96,000
2033	64,439	31,561	96,000
2034-2039	414,894	161,106	576,000
2040-2045	467,741	108,259	576,000
2046-2051	527,327	48,673	576,000
2051-2052	133,526	2,091	135,617
Totals	\$ 2,024,756	\$ 606,861	\$ 2,631,617

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2025, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

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<u>Bond Issue</u>	<u>Amount</u>
2015 Unlimited Tax School Building Bonds	\$ 2,180,000
2014 Unlimited Tax School Building Bonds	8,725,000
2018 Unlimited Tax School Building Bonds	13,990,000
Total	<u>24,895,000</u>

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2024</u>	<u>2025</u>
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
District's 2025 Employer Contributions		\$ 384,828
District's 2025 Member Contributions		\$ 852,256
2024 NECE On-Behalf Contributions (State)		\$ 595,792

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

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

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

Employers are also required to pay surcharges in the following cases:

- All public schools, charter schools and regional educational service centers must contribute 1.8 percent of the member's salary beginning in fiscal year 2023, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the TRS, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the total pension liability to August 31, 2023.

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2024	3.87% *
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

* The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2022. For a full description of these assumptions, please see the actuarial valuation report dated November 22, 2022.

6. Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 9.54 percent of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below:

Asset Class	Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	4.4%	1.0%
Non-U.S. Developed	13.0%	4.2%	0.8%
Emerging Markets	9.0%	5.2%	0.7%
Private Equity	14.0%	6.7%	1.2%

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

Stable Value			
Government Bonds	16.0%	1.9%	0.4%
Stable Value Hedge Funds	5.0%	3.0%	0.2%
Absolute Return *	0.0%	4.0%	0.0%
Real Return			
Real Estate	15.0%	6.6%	1.2%
Energy, Natural Resources and Infrastructure	6.0%	5.6%	0.4%
Commodities	0.0%	2.5%	0.0%
Risk Parity	8.0%	4.0%	0.4%
Asset Allocation Leverage			
Cash	2.0%	1.0%	0.0%
Asset Allocation Leverage	(6.0%)	1.3%	(0.1)%
Inflation Expectation			2.4%
Volatility Drag ****			(0.7)%
Expected Return	<u>100.0%</u>		<u>7.9%</u>
* Absolute Return includes Credit Sensitive Investments.			
** Target allocations are based on the FY2023 policy model.			
*** Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023)			
**** The volatility drag results from the conversion between arithmetic and geometric mean returns.			

7. Discount Rate Sensitivity Analysis

The following table presents the net pension liability of the plan using a discount rate of 7.00 percent, and what the net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	\$ 5,762,303	\$ 3,607,632	\$ 1,822,335

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

At August 31, 2025, the District reported a liability of \$3,607,632 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the collective net pension liability	\$ 3,607,632
State's proportionate share that is associated with District	<u>6,458,060</u>
Total	<u>\$ 10,065,692</u>

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At the measurement date of August 31, 2024 the employer's proportion of the collective net pension liability was 0.0059060017 percent which was an increase (decrease) of .0005329559 percent from its proportion measured as of August 31, 2023

9. Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2025, the District recognized pension expense of \$1,392,030 and revenue of \$771,846 for support provided by the State.

At August 31, 2025, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 198,848	\$ 28,167
Changes in Actuarial Assumptions	186,270	24,972
Difference Between Projected and Actual Investment Earnings	21,930	--
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	434,634	115,609
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	384,828	--
Total	<u>\$ 1,226,510</u>	<u>\$ 168,748</u>

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

Year ended August 31,	Pension Expense Amount
2026	\$ 113,937
2027	\$ 477,241
2028	\$ 101,925
2029	\$ (64,098)
2030	\$ 43,927
Thereafter	\$ ERR

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

LONDON INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2025

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

4. Contributions

Contribution rates for the TRS-Care plan are established in State Statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and participating employers are based on active employee compensation. The TRS board does not have the authority to set or amend contribution rates.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of Salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Contribution Rates	
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding remitted by Employers	1.25%

The contribution amounts for the District's fiscal year 2024 are as follows:

District's 2025 Employer Contributions	\$	82,853
District's 2025 Member Contributions	\$	67,147
2024 NECE On-Behalf Contributions (state)	\$	95,559

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of TRS. The TRS-Care surcharges for fiscal year 2024 totaled \$16,318,100.

A supplemental appropriation was received in 2023 for \$21.3 million provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2024.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

Demographic Assumptions

Rates of Mortality
 Rates of Retirement
 Rates of Termination
 Rates of Disability

Economic Assumptions

General Inflation
 Wage Inflation

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Election Rates	Normal Retirement - 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees - 30% are assumed to discontinue coverage at age 65.
Ad Hoc Post-Employment Benefit Changes	None

The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.

6. Discount Rate

A single discount rate of 3.87 percent was used to measure the Total OPEB Liability. This was a decrease of 0.26 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

The source for the municipal bond rate is the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Bond Buyer's "20-Bond GO Index", as of August 31, 2024.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (3.87%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the Net OPEB Liability:	\$ 3,027,522	\$ 2,548,319	\$ 2,161,116

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2025, the District reported a liability of \$52,152 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the Net OPEB Liability that was associated with the District were as follows:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

District's proportionate share of the collective net OPEB liability	\$ 2,548,319
State's proportionate share that is associated with the District	\$ 3,193,009
Total	<u>\$ 5,741,328</u>

The Net OPEB liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2025 the District's proportion of the collective net OPEB liability was 0.0083960139, compared ERR

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1 percent less than and 1 percent greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of Net OPEB Liability:	\$ 2,075,227	\$ 2,548,319	\$ 3,164,804

9. Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

- The discount rate was changed from 4.13 percent as of August 31, 2022 to 3.87 percent as of August 31, 2023. This change increased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date

Since the last valuation was prepared for this plan, Texas Senate Bill 1055, which was signed by the Governor on May 10, 2023, added Stephen F. Austin University into the University of Texas System. As a result, eligible employees of Stephen F. Austin State University ceased being members under this OPEB plan effective August 31, 2023. This change is reflected in the Total OPEB Liability as of August 31, 2023. In addition, this valuation reflects the minor benefit changes that became effective September 1, 2023, since these changes were announced to plan members in advance of August 31, 2023. These minor benefit changes, which are not expected to have a significant impact on plan costs for fiscal year 2024, are provided for in the fiscal year 2024 Assumed Per Capita Health Benefit Costs.

The amount of OPEB expense recognized by the District in the reporting period was \$(415,032).

At August 31, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 488,427	\$ 1,271,749
Changes in actuarial assumptions	326,155	831,487
Difference between projected and actual investment earnings		7,136
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	966,343	375,446
Contributions paid to TRS subsequent to the measurement date	82,853	
Total	\$ <u>1,863,778</u>	\$ <u>2,485,818</u>

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

Year ended August 31:	OPEB Expense Amount
2026	\$ (189,311)
2027	\$ (73,894)
2028	\$ (135,327)
2029	\$ (163,332)
2030	\$ (102,500)
Thereafter	\$ (40,529)

For the year ended August 31, 2025, the District recognized OPEB expense of \$(539,105) and revenue of \$(415,032) for support provided by the State.

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2025, the subsidy payment received by TRS-Care on behalf of the District was \$73,749.

J. Employee Health Care Coverage

During the year ended August 31, 2025, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$255 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

The latest financial statements are available for the year ended August 31, 2024 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

LONDON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

K. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

L. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through November 24, 2025 (the date of the Audit Report). The financial statements include all Type I events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management and those charged with governance have determined that there are no non-recognized Type II subsequent events that require additional disclosure.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

LONDON INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT G-1

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Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 7,146,328	\$ 7,271,603	\$ 7,271,604	\$ 1
5800	State Program Revenues	8,468,448	9,089,788	9,089,788	--
5900	Federal Program Revenues	3,500	18,000	18,000	--
5020	Total Revenues	15,618,276	16,379,391	16,379,392	1
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	7,751,485	8,190,774	8,190,775	(1)
0012	Instructional Resources and Media Services	99,540	99,047	99,047	--
0013	Curriculum and Instructional Staff Development	210,250	211,432	211,432	--
	Total Instruction and Instr. Related Services	8,061,275	8,501,253	8,501,254	(1)
Instructional and School Leadership:					
0021	Instructional Leadership	90,309	91,651	91,652	(1)
0023	School Leadership	920,918	965,031	965,032	(1)
	Total Instructional and School Leadership	1,011,227	1,056,682	1,056,684	(2)
Student Support Services:					
0031	Guidance, Counseling and Evaluation Services	425,185	449,057	449,057	--
0033	Health Services	159,580	189,999	189,999	--
0034	Student Transportation	629,469	884,371	880,371	4,000
0036	Extracurricular Activities	810,524	995,849	1,012,633	(16,784)
	Total Student Support Services	2,024,758	2,519,276	2,532,060	(12,784)
Administrative Support Services:					
0041	General Administration	1,072,318	1,032,746	1,015,962	16,784
	Total Administrative Support Services	1,072,318	1,032,746	1,015,962	16,784
Support Services:					
0051	Facilities Maintenance and Operations	2,611,569	2,755,042	2,759,042	(4,000)
0052	Security and Monitoring Services	182,465	181,830	181,830	--
0053	Data Processing Services	428,414	438,911	438,910	1
	Total Support Services	3,222,448	3,375,783	3,379,782	(3,999)
Debt Service:					
0071	Debt Service	--	36,279	54,908	(18,629)
0072	Interest on Long-Term Debt	96,000	59,721	41,092	18,629
	Total Debt Service	96,000	96,000	96,000	--
Capital Outlay:					
0081	Facilities Acquisition and Construction	--	96,687	96,686	1
	Total Capital Outlay	--	96,687	96,686	1
0099	Other Intergovernmental Charges	130,250	146,088	146,088	--
	Total Intergovernmental Charges	130,250	146,088	146,088	--
6030	Total Expenditures	15,618,276	16,824,515	16,824,516	(1)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(445,124)	(445,124)	--

LONDON INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT G-1

Page 2 of 2

		1	2	3	Variance with Final Budget
Data Control Codes		Budgeted Amounts			Positive (Negative)
		Original	Final	Actual	
	Other Financing Sources (Uses):				
8911	Operating Transfers Out	--	(255,240)	(255,240)	--
7080	Total Other Financing Sources and (Uses)	--	(255,240)	(255,240)	--
1200	Net Change in Fund Balance	--	(700,364)	(700,364)	--
0100	Fund Balance - Beginning	8,111,635	8,111,635	8,111,635	--
3000	Fund Balance - Ending	\$ 8,111,635	\$ 7,411,271	\$ 7,411,271	\$ --

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS

	Measurement Year *									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0059060017%	0.005373046%	0.0057583434%	0.0050118180%	0.0047471087%	0.0047677870%	0.0044749576%	0.0042165835%	0.0039598355%	0.0040661000%
District's proportionate share of the net pension liability (asset)	\$ 3,607,632	\$ 3,690,764	\$ 3,418,580	\$ 1,276,333	\$ 2,542,455	\$ 2,478,440	\$ 2,463,125	\$ 1,348,236	\$ 1,496,363	\$ 1,437,312
State's proportionate share of the net pension liability (asset) associated with the District	6,458,060	7,069,994	5,385,081	2,559,971	5,021,950	4,401,920	4,510,098	2,761,108	3,090,513	2,671,442
Total	<u>\$ 10,065,692</u>	<u>\$ 10,760,758</u>	<u>\$ 8,803,661</u>	<u>\$ 3,836,304</u>	<u>\$ 7,564,405</u>	<u>\$ 6,880,360</u>	<u>\$ 6,973,223</u>	<u>\$ 4,109,344</u>	<u>\$ 4,586,876</u>	<u>\$ 4,108,754</u>
District's covered payroll	\$ 9,542,629	\$ 8,473,481	\$ 7,373,309	\$ 6,919,499	\$ 6,331,119	\$ 5,635,805	\$ 5,291,183	\$ 5,184,244	\$ 4,617,337	\$ 4,161,771
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	37.81%	43.56%	46.36%	18.45%	40.16%	43.98%	46.55%	26.01%	32.41%	34.54%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

* The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 384,828	\$ 328,036	\$ 274,198	\$ 264,243	\$ 199,621	\$ 257,414	\$ 157,975	\$ 150,486	\$ 145,832	\$ 125,814
Contributions in relation to the contractually required contribution	(384,828)	(328,036)	(274,198)	(264,243)	(199,621)	(257,414)	(157,975)	(150,486)	(145,832)	(125,814)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 10,528,577	\$ 9,542,629	\$ 8,473,481	\$ 7,373,309	\$ 6,919,499	\$ 6,331,119	\$ 5,631,959	\$ 5,291,181	\$ 5,184,244	\$ 4,617,337
Contributions as a percentage of covered payroll	3.66%	3.44%	3.24%	3.58%	2.88%	4.07%	2.80%	2.84%	2.81%	2.72%

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year **							
	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the collective net OPEB liability	0.0083960139%	0.008085192%	0.008949269%	0.008612220%	0.007990450%	0.007373438%	0.006191138%	0.005800718%
District's proportionate share of the collective net OPEB liability	\$ 2,548,319	\$ 1,789,925	\$ 2,142,813	\$ 3,322,118	\$ 3,037,531	\$ 3,486,989	\$ 3,091,292	\$ 2,522,515
State proportionate share of the collective net OPEB liability associated with the District	\$ 3,193,009	\$ 2,159,819	\$ 2,613,896	\$ 4,450,898	\$ 4,081,713	\$ 4,633,429	\$ 4,577,097	\$ 4,175,922
Total	\$ 5,741,328	\$ 3,949,744	\$ 4,756,709	\$ 7,773,016	\$ 7,119,244	\$ 8,120,418	\$ 7,668,389	\$ 6,698,437
District's covered payroll	\$ 9,542,629	\$ 8,473,481	\$ 7,373,309	\$ 6,919,499	\$ 6,331,119	\$ 5,635,805	\$ 5,291,183	\$ 5,184,244
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	26.70%	21.12%	29.06%	48.01%	47.98%	61.87%	58.42%	48.66%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

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

** The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018		
Statutorily or contractually required District contribution	\$ 82,853	\$ 75,173	\$ 70,662	\$ 73,313	\$ 71,462	\$ 68,496	\$ 54,259	\$ 42,279		
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(82,853)	(75,173)	(70,662)	(73,313)	(71,462)	(68,496)	(54,259)	(42,279)		
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --		
District's covered payroll	\$ 10,528,577	\$ 9,542,629	\$ 8,473,481	\$ 7,373,309	\$ 6,919,499	\$ 6,331,119	\$ 5,631,959	\$ 5,291,183		
Contributions as a percentage of covered payroll	0.79%	0.79%	0.83%	0.99%	1.03%	1.08%	0.96%	0.80%		

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

LONDON INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2025

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Other Post-Employment Benefit Plan

Changes of benefit terms

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

Changes of assumptions

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

*Combining Statements and Budget Comparisons
as Supplementary Information*

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

LONDON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2025

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-Part B Formula	225 IDEA-Part B Preschool Grant	240 National School Breakfast/Lunch Program
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ (9,850)	\$ (21,567)	\$ (175)	\$ 822,207
1120 <i>Current Investments</i>	--	--	--	163,505
1240 <i>Due from Other Governments</i>	9,850	23,915	175	44,387
1000 <i>Total Assets</i>	<u>--</u>	<u>2,348</u>	<u>--</u>	<u>1,030,099</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ --	\$ 2,348	\$ --	\$ 118,505
2160 <i>Accrued Wages Payable</i>	--	--	--	53,329
2300 <i>Unearned Revenue</i>	--	--	--	27,058
2000 <i>Total Liabilities</i>	<u>--</u>	<u>2,348</u>	<u>--</u>	<u>198,892</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--	831,207
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--	--
3000 <i>Total Fund Balances</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>831,207</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ --</u>	<u>\$ 2,348</u>	<u>\$ --</u>	<u>\$ 1,030,099</u>

The accompanying notes are an integral part of this statement.

EXHIBIT H-1

255 ESEA Title II Training & Recruiting	410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ (3,145)	\$ (60,352)	\$ (85,801)	\$ 172,205	\$ 813,522
--	--	--	--	163,505
3,145	60,352	85,801	--	227,625
--	--	--	172,205	1,204,652
<hr/>				
\$ --	\$ --	\$ --	\$ 27,287	\$ 148,140
--	--	--	--	53,329
--	--	--	--	27,058
--	--	--	27,287	228,527
<hr/>				
--	--	--	--	831,207
--	--	--	144,918	144,918
--	--	--	144,918	976,125
<hr/>				
\$ --	\$ --	\$ --	\$ 172,205	\$ 1,204,652

LONDON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-Part B Formula	225 IDEA-Part B Preschool Grant
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--
5900 <i>Federal Program Revenues</i>	105,554	271,757	1,982
5020 <i>Total Revenues</i>	<u>105,554</u>	<u>271,757</u>	<u>1,982</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	105,554	269,808	1,982
0013 <i>Curriculum and Staff Development</i>	--	1,949	--
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0052 <i>Security and Monitoring Services</i>	--	--	--
6030 <i>Total Expenditures</i>	<u>105,554</u>	<u>271,757</u>	<u>1,982</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	--	--
1200 <i>Net Change in Fund Balances</i>	--	--	--
0100 <i>Fund Balances - Beginning</i>	--	--	--
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	289 Title IV, Part A Subpart 1	410 State Textbook Fund
\$ 881,253	\$ --	\$ --	\$ --
4,413	--	--	60,352
491,524	33,264	10,000	--
<u>1,377,190</u>	<u>33,264</u>	<u>10,000</u>	<u>60,352</u>
--	33,264	--	60,352
--	--	--	--
1,394,402	--	--	--
--	--	--	--
--	--	10,000	--
<u>1,394,402</u>	<u>33,264</u>	<u>10,000</u>	<u>60,352</u>
(17,212)	--	--	--
<u>(17,212)</u>	--	--	--
848,419	--	--	--
<u>\$ 831,207</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

LONDON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 175,721	\$ 1,056,974
5800 <i>State Program Revenues</i>	621,308	--	686,073
5900 <i>Federal Program Revenues</i>	--	--	914,081
5020 <i>Total Revenues</i>	<u>621,308</u>	<u>175,721</u>	<u>2,657,128</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	57,043	--	528,003
0013 <i>Curriculum and Staff Development</i>	650	--	2,599
0035 <i>Food Service</i>	--	--	1,394,402
0036 <i>Cocurricular/Extracurricular Activities</i>	--	212,844	212,844
0052 <i>Security and Monitoring Services</i>	371,924	--	381,924
6030 <i>Total Expenditures</i>	<u>429,617</u>	<u>212,844</u>	<u>2,519,772</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	191,691	(37,123)	137,356
1200 <i>Net Change in Fund Balances</i>	<u>191,691</u>	<u>(37,123)</u>	<u>137,356</u>
0100 <i>Fund Balances - Beginning</i>	(191,691)	182,041	838,769
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ 144,918</u>	<u>\$ 976,125</u>

The accompanying notes are an integral part of this statement.

Other Supplementary Information

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

LONDON INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2025

Year Ended August 31	Tax Rates		Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/24
	Maintenance	Debt Service		
2016 and Prior Years	\$ Various	\$ Various	\$ Various	\$ 41,064
2017	.971	.3865	343,359,293	3,386
2018	1.04	.3092	389,640,925	3,847
2019	.9251	.3784	713,333,797	9,118
2020	.96	.3875	675,033,134	9,549
2021	.9564	.3612	665,049,543	14,233
2022	.9255	.2752	712,085,556	16,564
2023	.8546	.50	808,229,467	22,203
2024	.6692	.50	913,895,009	66,022
2025 (School Year Under Audit)	.6669	.50	1,035,156,382	--
1000 Totals				\$ <u>185,986</u>

8000 - Total Taxes Refunded under Section 26.1115, Tax Code

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

EXHIBIT J-1

20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/25	99 Total Taxes Refunded Under Sect. 26.1115(c)
\$ --	\$ 5	\$ 2	\$ (4,463)	\$ 36,594	
--	--	--	--	3,386	
--	--	--	--	3,847	
--	--	--	--	9,118	
--	--	--	--	9,549	
--	309	117	--	13,807	
--	1,273	379	(504)	14,408	
--	7,152	4,185	20,169	31,035	
--	613	458	(24,559)	40,392	
11,751,988	6,552,568	4,912,707	(182,081)	104,631	
<u>\$ 11,751,988</u>	<u>\$ 6,561,921</u>	<u>\$ 4,917,847</u>	<u>\$ (191,438)</u>	<u>\$ 266,768</u>	
					\$ 15,088.00
	\$ --				

LONDON INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
 AS OF AUGUST 31, 2025

Data Control Codes		Responses
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 499,422
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30)	\$ 805,593
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 23,793
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25)	\$ 17,781

LONDON INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT J-3

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ 881,256	\$ 881,253	\$ (3)
5800	<i>State Program Revenues</i>	4,409	4,413	4
5900	<i>Federal Program Revenues</i>	491,526	491,524	(2)
5020	Total Revenues	<u>1,377,191</u>	<u>1,377,190</u>	<u>(1)</u>
	EXPENDITURES:			
	Current:			
	Student Support Services:			
0035	<i>Food Services</i>	<u>1,394,403</u>	<u>1,394,402</u>	<u>1</u>
	Total Student Support Services	<u>1,394,403</u>	<u>1,394,402</u>	<u>1</u>
6030	Total Expenditures	<u>1,394,403</u>	<u>1,394,402</u>	<u>1</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(17,212)</u>	<u>(17,212)</u>	<u>--</u>
1200	Net Change in Fund Balance	<u>(17,212)</u>	<u>(17,212)</u>	<u>--</u>
0100	Fund Balance - Beginning	848,419	848,419	--
3000	Fund Balance - Ending	<u>\$ 831,207</u>	<u>\$ 831,207</u>	<u>\$ --</u>

LONDON INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT J-4

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 5,094,268	\$ 5,094,267	\$ (1)
5800	State Program Revenues	437,524	437,524	--
5020	Total Revenues	<u>5,531,792</u>	<u>5,531,791</u>	<u>(1)</u>
	EXPENDITURES:			
	Debt Service:			
0071	Debt Service	1,847,274	1,847,274	--
0072	Interest on Long-Term Debt	3,498,398	3,498,398	--
0073	Bond Issuance Costs and Fees	3,616	3,616	--
	Total Debt Service	<u>5,349,288</u>	<u>5,349,288</u>	<u>--</u>
6030	Total Expenditures	<u>5,349,288</u>	<u>5,349,288</u>	<u>--</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	182,504	182,503	(1)
1200	Net Change in Fund Balance	182,504	182,503	(1)
0100	Fund Balance - Beginning	687,780	687,780	--
3000	Fund Balance - Ending	<u>\$ 870,284</u>	<u>\$ 870,283</u>	<u>\$ (1)</u>



GOWLAND, MORALES & SMITH, PLLC

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Independent Auditor's 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

Board of Trustees
London Independent School District
1306 FM 43
Corpus Christi, Texas 78415

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of London Independent School District, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise London Independent School District's basic financial statements, and have issued our report thereon dated November 24, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether London Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

London Independent School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
November 24, 2025



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Certified Public Accountants

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Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance with the Uniform Guidance

Board of Trustees
London Independent School District
1306 FM 43
Corpus Christi, Texas 78415

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited London Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of London Independent School District's major federal programs for the year ended August 31, 2025. London Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, London Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of London Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of London Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to London Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on London Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about London Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding London Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of London Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of London Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Respectfully submitted,

Gowland, Morales & Smith, PLLC

Corpus Christi, Texas
November 24, 2025

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2025

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

Version of compliance supplement used in audit: May 2024

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)?? Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
School Lunch Program Cluster:	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program (Non-Cash)
84.010A	Title I, Part A-Improving Basic Programs
84.027	IDEA-Part B

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

Auditee qualified as low-risk auditee? X Yes No

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2025

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

LONDON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
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NONE - N/A

LONDON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2025

NONE REQUIRED - N/A

LONDON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71402501	\$ -- \$ 41,166
Supply Chain Assistance	10.555	17460006038	-- 99,161
National School Lunch Program (Non-cash)	10.555	178906	-- 73,431
National School Lunch Program	10.555	71302501	-- 277,766
Total ALN Number 10.555			-- 450,358
Total Passed Through State Department of Education			-- 491,524
Total U. S. Department of Agriculture			-- 491,524
Total Child Nutrition Cluster			-- 491,524
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>IDEA-Part B, Formula</i>	84.027A	2566000117890	-- 271,757
<i>IDEA-Part B, Preschool</i>	84.173A	2566100011789	-- 1,982
Total Passed Through State Department of Education			-- 273,739
Total U. S. Department of Education			-- 273,739
Total Special Education (IDEA) Cluster			-- 273,739
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
<i>Title I Part A - Improving Basic Programs</i>	84.010A	2556101011769	-- 105,554
<i>Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	2569450117890	-- 33,264
<i>Title IV, Part A</i>	84.424A	2568010117890	-- 10,000
Total Passed Through State Department of Education			-- 148,818
Total U. S. Department of Education			-- 148,818
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -- \$ 914,081
TOTAL EXPENDITURES OF FEDERAL AWARDS			914,081
E-Rate			18,000
TOTAL FEDERAL REVENUE EXHIBIT C-2			932,081

The accompanying notes are an integral part of this schedule.

LONDON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2025

Basis of Presentation

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

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

London Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

LONDON INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2025*

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 3,208,820