

**WILLIS INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2025

WILLIS INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/ Table</u>
Certificate of Board	i	
Financial Section		
Independent Auditor’s Report	3	
Management’s Discussion and Analysis	7	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	17	A-1
Statement of Activities	18	B-1
Governmental Fund Financial Statements:		
Balance Sheet	20	C-1
Reconciliation of Balance Sheet for Governmental Funds to the Statement of Net Position	23	C-1R
Statement of Revenues, Expenditures, and Changes in Fund Balance	24	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	26	C-2R
Proprietary Fund Financial Statements:		
Statement of Net Position	27	D-1
Statement of Revenues, Expenses and Changes in Net Position	28	D-2
Statement of Cash Flows	29	D-3
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	30	E-1
Statement of Changes in Fiduciary Net Position	31	E-2
Notes to the Financial Statements	33	F-1
Required Supplementary Information		
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Original Budget, Amended Final (GAAP Basis) and Actual - General Fund	68	G-1
Schedule of the District’s Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas	69	G-2
Schedule of the District’s Pension Contributions – Teacher Retirement System of Texas	70	G-3
Schedule of the District’s Proportionate Share of the Net OPEB Liability – Teacher Retirement System of Texas	71	G-4
Schedule of the District’s OPEB Contributions – Teacher Retirement System of Texas	72	G-5
Notes to Required Supplementary Information	73	
Other Supplementary Information:		
Combining Fund Statements:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	76	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	83	H-2
Enterprise Funds:		
Combining Statement of Net Position	90	H-3
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	91	H-4
Combining Statement of Cash Flow	92	H-5

WILLIS INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS (continued)

	<u>Page</u>	<u>Exhibit/ Table</u>
Financial Section (continued)		
Other Supplementary Information (continued):		
Internal Service Funds:		
Combining Statement of Net Position	93	H-6
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	94	H-7
Combining Statement of Cash Flow	95	H-8
Required TEA Schedules:		
Schedule of Delinquent Taxes Receivable	98	J-1
Schedule of Revenues, Expenses, and Changes in Fund Balance Budget and Actual - National School Breakfast and Lunch Program	100	J-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Debt Service Fund	101	J-3
Compensatory Education Program and Bilingual Education Program Compliance Responses	102	J-4
Required Responses to Selected School First Indicators	103	L-1
Federal Awards Section		
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 <i>Government Auditing Standards</i>	107	
Independent Auditor's Report on Compliance for each Major Program; Report on Internal Control over Compliance Required by the Uniform Guidance	109	
Schedule of Findings and Questioned Costs	113	
Schedule of Expenditures of Federal Awards	115	K-1
Notes to Schedule of Expenditures of Federal Awards	116	K-2
Summary Schedule of Prior Audit Findings	118	
Corrective Action Plan	119	

CERTIFICATE OF BOARD

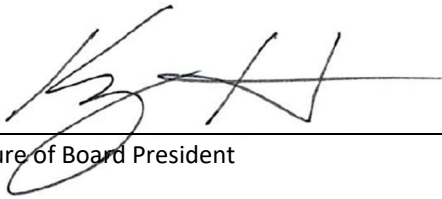
Willis Independent School District
Name of School District

Montgomery
County

170-904
Co. - Dist. No.

We, the undersigned, certify that the annual financial reports for the above named school district were reviewed and approved for the year ended August 31, 2025, at a meeting of the Board of Trustees of such school district on the 14th day of January 2026.


Signature of Board Vice President


Signature of Board President



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Willis Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Willis Independent School District (the "District"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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*, 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 the 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 the District's ability to continue as a going concern for twelve months beyond the financial statement 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 management's discussion and analysis, budgetary comparison information, pension information, and other-post employment benefit information, as listed in the table of contents, 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 the District's basic financial statements. The combining fund statements, required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Board of Trustees
Willis Independent School District

Such information is the responsibility of management and was derived from and relates 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 fund statements, required TEA schedules, and 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

Management is responsible for the other information included in the annual report. The other information comprises the Schedule L-1 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 basic 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 January 14, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas
January 14, 2026



WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Willis Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2025. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation, net taxes receivable, claims payable of the District's self-insured workers' compensation program, and the net pension and OPEB liability.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$97 million (net position). The District reported positive net position in all categories.
- The District's total net position increased by \$9 million from current operations.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$230 million, an increase of \$45 million from the preceding year primarily due to the issuance of debt offset by facilities acquisition and construction expenditures in the capital projects fund.
- At the end of the year, unassigned fund balance of the general fund was \$24 million, or 27 percent of the year's total general fund expenditures.
- The District's total bonded debt increased by \$89 million (25 percent) during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector enterprise.

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Service, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Repair and Maintenance, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges. The business-type activities of the District include the Enterprise Funds for Early Bird Child Care and Concession Stands.

The government-wide financial statements can be found as noted in the table of contents of this report.

WILLIS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, as do other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of cash resources*, as well as on *balances of cash resources* available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained several individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other twenty-six governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison schedule has been provided for the general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund to demonstrate compliance with its budget.

The basic governmental fund financial statements are noted in the table of contents of this report.

Proprietary Fund. The District maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses an enterprise fund to account for its Early Bird Child Care and Concession Stand programs. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses the internal service funds to account for the District's group health insurance benefits and workers' compensation risk management. Because these internal service funds predominantly benefit governmental operations, their financial activities have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide essentially the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are provided with the basic financial statements and provide information for the Early Bird Child Care and Concession Stand programs and the self-funded group health insurance benefits and workers' compensation risk management programs.

The basic proprietary fund financial statements are noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs and activities. A statement of fiduciary net position and statement of changes in fiduciary net position are presented for fiduciary funds, as noted in the table of contents of this report.

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents required supplementary information and supplementary information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

Government-Wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$97 million.

Willis Independent School District's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	\$ 260,068,517	\$ 211,286,438	\$ 826,180	\$ 775,822	\$ 260,894,697	\$ 212,062,260
Capital Assets	371,647,660	317,773,335	-	-	371,647,660	317,773,335
Total Assets	631,716,177	529,059,773	826,180	775,822	632,542,357	529,835,595
Total Deferred Outflows	16,527,748	19,214,476	-	-	16,527,748	19,214,476
Long-Term Liabilities	513,499,651	419,030,612	-	-	513,499,651	419,030,612
Other Liabilities	22,538,274	20,964,596	40,397	31,356	22,578,671	20,995,952
Total Liabilities	536,037,925	439,995,208	40,397	31,356	536,078,322	440,026,564
Total Deferred Inflows	16,307,535	21,348,691	-	-	16,307,535	21,348,691
Net Position						
Net Investment in Capital Assets	72,877,937	65,919,766	-	-	72,877,937	65,919,766
Restricted for Grant	2,402,532	2,402,343	-	-	2,402,532	2,402,343
Restricted	10,966,155	7,762,179	-	-	10,966,155	7,762,179
Unrestricted	9,651,841	10,846,062	785,783	744,466	10,437,624	11,590,528
Total Net Position	\$ 95,898,465	\$ 86,930,350	\$ 785,783	\$ 744,466	\$ 96,684,248	\$ 87,674,816

The largest portion of the District's net position (\$74 million) is net investment in capital assets (e.g., land and improvements, buildings and improvements, furniture, vehicles, equipment, right-to-use assets, and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position that is restricted for debt service and grants totaled \$13 million.

Unrestricted net position of \$10 million may be used to meet the District's ongoing obligations to students and creditors.

Governmental Activities. Governmental Activities increased the District's net position by \$9 million. Key elements of this change are as follows:

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Willis Independent School District's Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues:						
Charges for Services	\$ 3,236,127	\$ 3,104,581	\$ 285,729	\$ 130,609	\$ 3,521,856	\$ 3,235,190
Operating Grants and Contributions	14,773,459	18,706,935	-	-	14,773,459	18,706,935
General Revenues:						
Property Taxes	45,720,981	40,915,153	-	-	45,720,981	40,915,153
Property Taxes, levied for debt service	25,263,656	20,106,600	-	-	25,263,656	20,106,600
State Aid - Formula Grants	38,615,235	39,830,275	-	-	38,615,235	39,830,275
Investment earnings	9,594,011	12,732,300	-	-	9,594,011	12,732,300
Miscellaneous	1,464,309	903,725	-	-	1,464,309	903,725
Total Revenues	138,667,778	136,299,569	285,729	130,609	138,953,507	136,430,178
Expenses						
Instruction	57,736,850	62,259,700	-	-	57,736,850	62,259,700
Instructional Resources and Media	402,063	203,489	-	-	402,063	203,489
Curriculum and staff development	2,140,624	2,551,755	-	-	2,140,624	2,551,755
Instructional leadership	823,471	647,475	-	-	823,471	647,475
School leadership	6,153,936	6,369,591	-	-	6,153,936	6,369,591
Guidance, counseling, and evaluation services	3,696,577	3,869,318	-	-	3,696,577	3,869,318
Social work services	217,336	234,230	-	-	217,336	234,230
Health services	947,841	1,019,570	-	-	947,841	1,019,570
Student transportation	4,202,579	2,942,433	-	-	4,202,579	2,942,433
Food service	7,461,649	5,258,022	-	-	7,461,649	5,258,022
Extracurricular activities	3,964,757	3,365,824	-	-	3,964,757	3,365,824
General administration	5,625,661	3,556,575	-	-	5,625,661	3,556,575
Facilities maintenance and operations	10,753,369	10,500,922	-	-	10,753,369	10,500,922
Security and monitoring services	6,143,555	3,036,372	-	-	6,143,555	3,036,372
Data processing services	1,988,320	1,204,770	-	-	1,988,320	1,204,770
Community services	291,770	154,978	-	-	291,770	154,978
Interest on long-term debt	14,826,912	13,162,053	-	-	14,826,912	13,162,053
Bond issuance costs and fees	953,670	-	-	-	953,670	-
Facilities maintenance and repairs	673,710	3,025,198	-	-	673,710	3,025,198
Payments to Juvenile Justice Alternative Education Programs	11,560	-	-	-	11,560	-
Other governmental charges	683,453	601,023	-	-	683,453	601,023
Early Bird Child Care	-	-	97,723	93,108	97,723	93,108
Concession Stand	-	-	146,689	1,445	146,689	1,445
Total Expenses	129,699,663	123,963,298	244,412	94,553	129,944,075	124,057,851
Change in Net Position	8,968,115	12,336,271	41,317	36,056	9,009,432	12,372,327
Net Position - Beginning	86,930,350	74,594,079	744,466	708,410	87,674,816	75,302,489
Net Position - Ending	\$ 95,898,465	\$ 86,930,350	\$ 785,783	\$ 744,466	\$ 96,684,248	\$ 87,674,816

Revenues, aggregating \$139 million, were generated primarily from two sources. Property taxes of \$71 million represent 51 percent of total revenues, while grants and contributions (program and general) totaling \$53 million represent 39 percent of total revenues. The remaining 10 percent is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$58 million), which represents 45 percent of total expenses. The remaining expense categories are individually less than eleven percent of total expenses. Instructional expenses decreased by \$5 million, primarily due to reduced spending on instructional supplies and materials following a decrease in COVID-19 related federal funding.

The increase in net position of \$9 million was primarily driven from an increase in property tax revenues.

Business-type Activities. Business-type activities increased the District's net position by \$41 thousand, primarily due to the increase in charges for services as more individuals took advantage of the Early Bird Childcare program as well as the increased usage of the use of Concession Stand program in the fiscal year.

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis of the Government's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$230 million, an increase of \$45 million from the preceding year. Comments as to each major fund's change in fund balance follow.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$24 million, while total fund balance was \$48 million. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27 percent of total general fund expenditures, while total fund balance represents 54 percent of that same total. The fund balance of the general fund increased (\$746 thousand) during the year, primarily as a result of the increase in property tax revenue.

The debt service fund ended the year with a total fund balance of \$10 million, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased by approximately \$697 thousand during the year, primarily due to an increase in property tax revenue.

The capital projects fund has a total fund balance of \$168 million, all of which is restricted for capital expenditures. The net increase in fund balance during the current year in the capital projects fund was \$43 million. The increase was due to the issuance of the Unlimited Tax Building Bonds Series 2024 and Series 2025 of \$102 million offset by facilities acquisition and construction of \$66 million.

Governmental funds financial statements may be found by referring to the table of contents.

Proprietary Funds. The District's proprietary fund financial statements, reflecting enterprise and internal service funds created for its Early Bird Child Care program, Concession Stand program, and self-funded group health insurance benefits and workers' compensation risk management programs, provide information as to profitability of those programs. The change in net position of the internal service fund is eliminated and allocated to the governmental expenses in the government-wide financial statements. The enterprise funds have been addressed in the discussion of the District's business-type activities.

General Fund Budgetary Highlights

The District amended the budget several times throughout the year. The final budget expenditures increased by \$4 million primarily due to the increase in instruction, student transportation, and data processing services.

There were no significant variations between the final budget and actual results. The District came under budgeted expenditures by \$1 million.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental activities as of August 31, 2025 as \$372 million (net of accumulated depreciation/amortization). This investment in capital assets includes land and improvements, buildings and improvements, furniture, right-to-use assets, vehicles, and equipment, and construction in progress.

Major capital asset addition activity during the year included the following:

- Construction in progress totaling \$64 million before the reclassification of completed projects of \$16 million.
- Furniture and equipment totaling \$2 million.

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Willis Independent School District's Capital Assets
(net of depreciation/amortization)

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 23,142,050	\$ 23,142,050	\$ -	\$ -	\$ 23,142,050	\$ 23,142,050
Buildings and Improvements, net	243,201,193	237,591,832	-	-	243,201,193	237,591,832
Furniture and equipment, net	8,435,133	7,905,429	-	-	8,435,133	7,905,429
Right-to-use assets, net	287,358	570,803	-	-	287,358	570,803
Construction in Progress	96,581,926	48,563,221	-	-	96,581,926	48,563,221
Total	\$ 371,647,660	\$ 317,773,335	\$ -	\$ -	\$ 371,647,660	\$ 317,773,335

Commitments. At the end of the current fiscal year, the District's commitments with construction contractors totaled \$40 million. The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

Additional information on the District's capital assets can be found in the notes to the financial statements per the table of contents.

Long-term Liabilities. At year-end, the District had the following long-term liabilities:

Willis Independent School District's Long-Term Liabilities Outstanding

	Governmental Activities					
	2025	%	2024	%	Change	%
General obligation bonds	\$ 447,620,000	87%	\$ 358,740,000	86%	\$ 88,880,000	25%
Bond premiums/discounts	17,799,376	4%	16,866,528	4%	932,848	6%
Lease liability	163,646	0%	265,229	0%	(101,583)	-38%
SBITA liability	-	0%	202,326	0%	(202,326)	-100%
Arbitrage liability	3,670,104	1%	-	0%	3,670,104	100%
Net pension liability	27,120,078	5%	30,613,305	7%	(3,493,227)	-11%
Net OPEB liability	17,126,447	3%	12,343,224	3%	4,783,223	39%
	\$ 513,499,651	100%	\$ 419,030,612	100%	\$ 94,469,039	23%

The District's total long-term liabilities increased by \$94 million due to the issuance of the Unlimited Tax Building Bonds Series 2024 and Series 2025 of \$102 million, offset by principal payments of \$13 million and the decrease in net pension liability of \$3 million. The Teacher Retirement System of Texas experienced favorable investment earnings, which resulted in a state-wide lower net pension liability. The District's proportionate share of that liability reflects the 11% decrease as well.

The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Bond Guarantee Program or by a municipal bond insurance policy. State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval by the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term liabilities can be found in the notes to the financial statements per the table of contents.

WILLIS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budget and Rates

School year (2025-2026) student enrollment is 9,613, a 3.2 percent increase from 9,316 in the preceding year.

- District staff totals 1,292 employees in 2025-26, excluding substitutes and other part-time employees, of which 581 are teachers and 176 are teacher aides and secretaries.
- The District maintains 11 regular education campuses.
- Property values of the District are projected to remain consistent in the 2025-26 year.
- A maintenance and operations tax rate of \$0.6669 and a debt service tax rate of \$0.368, a total rate of \$1.0349, were adopted for 2025-26. Preceding year rates were \$.06669, \$0.368, and \$1.0349, respectively.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Willis Independent School District business office at 612 North Campbell Street, Willis, Texas, 77378 or at (936)-856-1200.



BASIC FINANCIAL STATEMENTS



WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2025

Exhibit A-1

Data Control Codes	Primary Government			
	Governmental Activities	Business-type Activities	Total	
Assets				
1110	Cash and Cash Equivalents	\$ 8,639,831	\$ 826,180	\$ 9,466,011
1120	Current Investments	241,022,757	-	241,022,757
1220	Property Taxes - Delinquent	4,758,881	-	4,758,881
1230	Allowance for Uncollectible Taxes	(30,605)	-	(30,605)
1240	Due from Other Governments	4,496,516	-	4,496,516
1290	Other Receivables, Net	14,230	-	14,230
1300	Inventories	24,292	-	24,292
1410	Prepaid Items	1,142,615	-	1,142,615
Capital Assets Not Subject to Depreciation:				
1510	Land	23,142,050	-	23,142,050
1580	Construction in Progress	96,581,926	-	96,581,926
Capital Assets Net Of Depreciation/Amortization:				
1520	Buildings And Improvements, Net	243,201,193	-	243,201,193
1530	Furniture And Equipment, Net	8,435,133	-	8,435,133
1550	Right-to-use assets, Net	287,358	-	287,358
1000	Total Assets	631,716,177	826,180	632,542,357
Deferred Outflows Of Resources				
	Deferred Charge on Refunding	437,899	-	437,899
	Deferred Outflow Related to TRS Pension	7,492,345	-	7,492,345
	Deferred Outflow Related to TRS OPEB	8,597,504	-	8,597,504
1700	Total Deferred Outflows of Resources	16,527,748	-	16,527,748
Liabilities				
2110	Accounts Payable	12,581,715	-	12,581,715
2140	Interest Payable	799,002	-	799,002
2150	Payroll Deductions And Withholdings	739,198	-	739,198
2160	Accrued Wages Payable	7,186,335	471	7,186,806
2180	Due to Other Governments	314,813	-	314,813
2200	Accrued Expenses	724,679	-	724,679
2300	Unearned Revenue	192,532	39,926	232,458
Noncurrent Liabilities:				
2501	Due Within One Year	9,183,608	-	9,183,608
2502	Due in More Than One Year	460,069,518	-	460,069,518
2540	Net Pension Liability	27,120,078	-	27,120,078
2545	Net Other Post-Employment Benefits (OPEB) Liability	17,126,447	-	17,126,447
2000	Total Liabilities	536,037,925	40,397	536,078,322
Deferred Inflows Of Resources				
	Deferred Inflows - Pension	802,862	-	802,862
	Deferred Outflows - OPEB	14,387,604	-	14,387,604
	Deferred Gain on Refunding	1,117,069	-	1,117,069
2600	Total Deferred Inflows of Resources	16,307,535	-	16,307,535
Net Position				
3200	Net Investment in Capital Assets Restricted For:	72,877,937	-	72,877,937
3820	Federal and State Programs	2,402,532	-	2,402,532
3850	Debt Service	10,966,155	-	10,966,155
3900	Unrestricted	9,651,841	785,783	10,437,624
3000	Total Net Position	\$ 95,898,465	\$ 785,783	\$ 96,684,248

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025

Exhibit B-1
Page 1 of 2

Data Control Codes	Functions/Programs	Expenses	Program Revenue	
			Charges for Services	Operating Grants and Contributions
	Primary Government			
	Governmental Activities:			
11	Instruction	\$ 57,736,850	\$ -	\$ 5,859,069
12	Instructional resources and media services	402,063	-	85,957
13	Curriculum and staff development	2,140,624	-	610,919
21	Instructional leadership	823,471	-	202,333
23	School leadership	6,153,936	-	416,745
31	Guidance, counseling, and evaluation services	3,696,577	-	465,136
32	Social work services	217,336	-	416
33	Health services	947,841	-	40,739
34	Student transportation	4,202,579	14,890	31,561
35	Food service	7,461,649	1,782,094	5,224,084
36	Extracurricular activities	3,964,757	1,224,208	24,344
41	General administration	5,625,661	-	843,179
51	Facilities maintenance and operations	10,753,369	214,935	54,602
52	Security and monitoring services	6,143,555	-	907,025
53	Data processing services	1,988,320	-	6,526
61	Community services	291,770	-	824
72	Interest on long-term debt	14,826,912	-	-
73	Bond issuance costs and fees	953,670	-	-
81	Facilities maintenance and repairs	673,710	-	-
95	Payments to Juvenile Justice Alternative Education Programs	11,560	-	-
99	Intergovernmental charges	683,453	-	-
TG	Total Governmental Activities	<u>129,699,663</u>	<u>3,236,127</u>	<u>14,773,459</u>
	Business-Type Activities			
01	Early Bird Child Care	97,723	131,418	-
02	Concession Stand	146,689	154,311	-
TB	Total Business-Type Activities	<u>244,412</u>	<u>285,729</u>	<u>-</u>
TP	Total Primary Government	<u>\$ 129,944,075</u>	<u>\$ 3,521,856</u>	<u>\$ 14,773,459</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025

Exhibit B-1
Page 2 of 2

		Net (Expense) Revenue and Changes in Net Position		
		Primary Government		
Data Control Codes	Functions/Programs	Governmental Activities	Business-type Activities	Total
	Primary Government			
	Governmental Activities:			
11	Instruction	\$ (51,877,781)	\$ -	\$ (51,877,781)
12	Instructional resources and media services	(316,106)	-	(316,106)
13	Curriculum and staff development	(1,529,705)	-	(1,529,705)
21	Instructional leadership	(621,138)	-	(621,138)
23	School leadership	(5,737,191)	-	(5,737,191)
31	Guidance, counseling, and evaluation services	(3,231,441)	-	(3,231,441)
32	Social work services	(216,920)	-	(216,920)
33	Health services	(907,102)	-	(907,102)
34	Student transportation	(4,156,128)	-	(4,156,128)
35	Food service	(455,471)	-	(455,471)
36	Extracurricular activities	(2,716,205)	-	(2,716,205)
41	General administration	(4,782,482)	-	(4,782,482)
51	Facilities maintenance and operations	(10,483,832)	-	(10,483,832)
52	Security and monitoring services	(5,236,530)	-	(5,236,530)
53	Data processing services	(1,981,794)	-	(1,981,794)
61	Community services	(290,946)	-	(290,946)
72	Interest on long-term debt	(14,826,912)	-	(14,826,912)
73	Bond issuance costs and fees	(953,670)	-	(953,670)
81	Facilities maintenance and repairs	(673,710)	-	(673,710)
95	Payments to Juvenile Justice Alternative Education Programs	(11,560)	-	(11,560)
99	Intergovernmental charges	(683,453)	-	(683,453)
TG	Total Governmental Activities	(111,690,077)	-	(111,690,077)
	Business-Type Activities			
01	Early Bird Child Care	-	33,695	33,695
02	Concession Stand	-	7,622	7,622
TB	Total Business-Type Activities	-	41,317	41,317
TP	Total Primary Government	(111,690,077)	41,317	(111,648,760)
	General Revenues			
	Taxes:			
MT	Property Taxes, Levied for General Purposes	45,720,981	-	45,720,981
DT	Property Taxes, Levied for Debt Service	25,263,656	-	25,263,656
SF	State Aid - Formula Grants	38,615,235	-	38,615,235
IE	Investment Earnings	9,594,011	-	9,594,011
MI	Miscellaneous	1,464,309	-	1,464,309
TR	Total General Revenues	120,658,192	-	120,658,192
CN	Change in net position	8,968,115	41,317	9,009,432
NB	Net Position - Beginning	86,930,350	744,466	87,674,816
NE	Net Position - Ending	\$ 95,898,465	\$ 785,783	\$ 96,684,248

WILLIS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2025

Exhibit C-1
Page 1 of 2

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
Assets				
1110	Cash and Cash Equivalents	\$ 3,364,141	\$ 11,989	\$ 2,270,265
1120	Current Investments	48,542,472	10,172,153	176,501,652
	Receivables:			
1220	Delinquent Property Taxes Receivables	3,333,763	1,425,118	-
1230	Allowance for Uncollectible Taxes (Credit)	(22,393)	(8,212)	-
1240	Receivables from Other Governments	3,223,250	-	-
1260	Due from Other Funds	507,213	166,698	639,726
1290	Other Receivables	-	14,230	-
1300	Inventories, At Cost	24,292	-	-
1410	Prepaid Items	1,066,862	-	-
1900	Long Term Investments	907,909	-	-
1000	Total Assets	\$ 60,947,509	\$ 11,781,976	\$ 179,411,643
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
2110	Accounts Payable	\$ 573,689	\$ -	\$ 11,266,413
2150	Payroll Deduction And Withholdings	739,198	-	-
2160	Accrued Wages Payable	6,707,270	-	13,035
2170	Due to Other Funds	796,852	-	-
2180	Payable to Other Governments	297,994	16,819	-
2300	Unearned Revenues	112,705	-	-
2000	Total Liabilities	9,227,708	16,819	11,279,448
Deferred Inflows of Resources:				
	Deferred Inflows - Property Taxes	3,311,370	1,416,906	-
2600	Total Deferred Inflows of Resources	3,311,370	1,416,906	-
Fund Balances:				
Non-Spendable:				
3410	Inventories	24,292	-	-
3430	Prepaid Items	1,066,862	-	-
Restricted:				
3450	Federal/State Funds Grant Restrictions	-	-	-
3470	Capital Acquisitions And Contractual Oblig.	-	-	168,132,195
3480	Debt Service	-	10,348,251	-
Committed:				
3545	Other Committed	23,000,000	-	-
Assigned:				
3590	Other Purposes	199,130	-	-
3600	Unassigned	24,118,147	-	-
3000	Total Fund Balances	48,408,431	10,348,251	168,132,195
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 60,947,509	\$ 11,781,976	\$ 179,411,643

WILLIS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2025

Exhibit C-1
Page 2 of 2

Data Control Codes		Nonmajor Governmental Funds	Total Governmental Funds
Assets			
1110	Cash and Cash Equivalents	\$ 3,177,246	\$ 8,823,641
1120	Current Investments	675,753	235,892,030
	Receivables:		
1220	Delinquent Property Taxes Receivables	-	4,758,881
1230	Allowance for Uncollectible Taxes (Credit)	-	(30,605)
1240	Receivables from Other Governments	1,273,266	4,496,516
1260	Due from Other Funds	103,697	1,417,334
1290	Other Receivables	-	14,230
1300	Inventories, At Cost	-	24,292
1410	Prepaid Items	-	1,066,862
1900	Long Term Investments	-	907,909
1000	Total Assets	\$ 5,229,962	\$ 257,371,090
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
2110	Accounts Payable	\$ 454,678	\$ 12,294,780
2150	Payroll Deduction And Withholdings	-	739,198
2160	Accrued Wages Payable	466,030	7,186,335
2170	Due to Other Funds	620,482	1,417,334
2180	Payable to Other Governments	-	314,813
2300	Unearned Revenues	79,827	192,532
2000	Total Liabilities	1,621,017	22,144,992
Deferred Inflows of Resources:			
	Deferred Inflows - Property Taxes	-	4,728,276
2600	Total Deferred Inflows of Resources	-	4,728,276
Fund Balances:			
Non-Spendable:			
3410	Inventories	-	24,292
3430	Prepaid Items	-	1,066,862
Restricted:			
3450	Federal/State Funds Grant Restrictions	2,600,573	2,600,573
3470	Capital Acquisitions And Contractual Oblig.	-	168,132,195
3480	Debt Service	-	10,348,251
Committed:			
3545	Other Committed	1,008,372	24,008,372
Assigned:			
3590	Other Purposes	-	199,130
3600	Unassigned	-	24,118,147
3000	Total Fund Balances	3,608,945	230,497,822
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,229,962	\$ 257,371,090



WILLIS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
August 31, 2025

Exhibit C-1R

<u>Data Control Codes</u>	Total Fund Balance, Governmental Funds	\$ 230,497,822
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation/amortization, where applicable.	371,647,660
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	4,728,276
3	Deferred charge on refunding	437,899
4	Deferred outflows relating to pension activities	7,492,345
5	Deferred outflows relating to other-post employment benefit	8,597,504
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
6	General obligation bonds	(447,620,000)
7	Premiums on issuance	(17,799,376)
8	Deferred gain on refunding	(1,117,069)
9	Lease liability	(163,646)
10	Arbitrage liability	(3,670,104)
11	Net pension liability	(27,120,078)
12	Net other-post employment benefit liability	(17,126,447)
13	Accrued interest payable	(799,002)
14	Deferred inflows relating to pension activities	(802,862)
15	Deferred inflows relating to other-post employment benefit	(14,387,604)
16	Internal service fund net position	<u>3,103,147</u>
29	Net Position of Governmental Activities	<u><u>\$ 95,898,465</u></u>

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit C-2
Page 1 of 2

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
Revenues				
5700	Local and Intermediate Sources	\$ 49,587,521	\$ 25,461,610	\$ 5,989,060
5800	State Program Revenues	40,514,639	2,596,355	-
5900	Federal Program Revenues	1,091,869	-	-
5020	Total Revenues	91,194,029	28,057,965	5,989,060
Expenditures				
Current:				
0011	Instruction	50,267,186	-	-
0012	Instruction Resources and Media Services	182,700	-	-
0013	Curriculum and Staff Development	1,675,364	-	-
0021	Instructional Leadership	698,447	-	-
0023	School Leadership	5,592,817	-	-
0031	Guidance, Counseling and Evaluation Services	3,420,545	-	-
0032	Social Work Services	218,889	-	-
0033	Health Services	966,263	-	-
0034	Student Transportation	5,442,743	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	2,401,786	-	-
0041	General Administration	3,365,335	-	1,050
0051	Facilities Maintenance and Operations	10,738,707	-	-
0052	Security and Monitoring Services	1,750,361	-	13,009
0053	Data Processing Services	1,964,865	-	-
Debt Service:				
0071	Principal on Long-Term Debt	303,909	12,765,000	-
0072	Interest on Long-Term Debt	12,630	14,599,758	-
0073	Bond Issuance Costs and Fees	-	953,670	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	65,687,814
Intergovernmental:				
0095	Payments To Juvenile Justice Alt. Ed. Prgm.	11,560	-	-
0099	Other Intergovernmental Charges	683,453	-	-
6030	Total Expenditures	89,697,560	28,318,428	65,701,873
1100	Excess (Deficiency) of Revenues Over Expenditures	1,496,469	(260,463)	(59,712,813)
Other Financing Sources (Uses):				
7911	Capital-Related Debt Issued (Regular Bonds)	-	-	101,645,000
7916	Premium or Discount On Issuance Of Bonds	-	957,625	1,055,000
8911	Transfers Out	(750,000)	-	-
7080	Total Other Financing Sources (Uses)	(750,000)	957,625	102,700,000
1200	Net Change In Fund Balances	746,469	697,162	42,987,187
0100	Fund Balance - September 1 (Beginning)	47,661,962	9,651,089	125,145,008
3000	Fund Balance - August 31 (Ending)	\$ 48,408,431	\$ 10,348,251	\$ 168,132,195

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit C-2
Page 2 of 2

<u>Data Control Codes</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	Revenues		
5700	Local and Intermediate Sources	\$ 3,030,570	\$ 84,068,761
5800	State Program Revenues	2,617,507	45,728,501
5900	Federal Program Revenues	10,485,075	11,576,944
5020	Total Revenues	<u>16,133,152</u>	<u>141,374,206</u>
	Expenditures		
	Current:		
0011	Instruction	5,136,856	55,404,042
0012	Instruction Resources and Media Services	82,160	264,860
0013	Curriculum and Staff Development	575,067	2,250,431
0021	Instructional Leadership	185,696	884,143
0023	School Leadership	340,519	5,933,336
0031	Guidance, Counseling and Evaluation Services	410,309	3,830,854
0032	Social Work Services	-	218,889
0033	Health Services	21,527	987,790
0034	Student Transportation	-	5,442,743
0035	Food Services	7,034,433	7,034,433
0036	Extracurricular Activities	1,080,312	3,482,098
0041	General Administration	165,460	3,531,845
0051	Facilities Maintenance and Operations	-	10,738,707
0052	Security and Monitoring Services	906,771	2,670,141
0053	Data Processing Services	13,110	1,977,975
	Debt Service:		
0071	Principal on Long-Term Debt	-	13,068,909
0072	Interest on Long-Term Debt	-	14,612,388
0073	Bond Issuance Costs and Fees	-	953,670
	Capital Outlay:		
0081	Facilities Acquisition and Construction	-	65,687,814
	Intergovernmental:		
0095	Payments To Juvenile Justice Alt. Ed. Prgm.	-	11,560
0099	Other Intergovernmental Charges	-	683,453
6030	Total Expenditures	<u>15,952,220</u>	<u>199,670,081</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>180,932</u>	<u>(58,295,875)</u>
	Other Financing Sources (Uses):		
7911	Capital-Related Debt Issued (Regular Bonds)	-	101,645,000
7916	Premium or Discount On Issuance Of Bonds	-	2,012,625
8911	Transfers Out	-	(750,000)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>102,907,625</u>
1200	Net Change In Fund Balances	180,932	44,611,750
0100	Fund Balance - September 1 (Beginning)	<u>3,428,013</u>	<u>185,886,072</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 3,608,945</u>	<u>\$ 230,497,822</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025

Exhibit C-2R

<u>Data Control Codes</u>		
	Net Change in Fund Balances - Total Governmental Funds	\$ 44,611,750
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.	
1	Capital outlay recognized as capital asset additions.	66,702,921
2	Depreciation and amortization expense recognized for capital assets.	(12,826,816)
3	Net effect of other retirements and adjustments to capital assets.	(1,780)
4	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	770,816
	Repayment of long-term debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	
5	Repayment of principal on bonds	12,765,000
6	Proceeds from issuance of capital-related bonds	(101,645,000)
7	Premium issued on regular bonds	(2,012,625)
8	Interest expense incurred on arbitrage	(3,670,104)
9	Principal payments on lease and SBITA liability	303,909
	Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
10	Increase in interest payable not recognized in the fund statements.	2,130,479
11	Amortization of premium/discount.	1,079,777
12	Amortization of deferred charge on refunding.	245,324
13	Changes in net pension liabilities and related deferred outflows and inflows of resources.	(1,401,608)
14	Changes in net OPEB liabilities and related deferred outflows and inflows of resources.	2,223,462
15	Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2).	<u>(307,390)</u>
	Change in Net Position of Governmental Activities	<u>\$ 8,968,115</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
August 31, 2025

Exhibit D-1

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Total Enterprise Funds</u>	<u>Total Internal Service Funds</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 826,180	\$ 4,039,008
Prepaid items	-	75,753
Total current assets	<u>826,180</u>	<u>4,114,761</u>
Total Assets	<u>826,180</u>	<u>4,114,761</u>
Liabilities		
Accounts Payable	-	286,935
Accrued Expenses	471	724,679
Unearned Revenue	39,926	-
Total Liabilities	<u>40,397</u>	<u>1,011,614</u>
Net Position		
Unrestricted	785,783	3,103,147
Total Net Position	<u>\$ 785,783</u>	<u>\$ 3,103,147</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2025

Exhibit D-2

	Business-type Activities	Governmental Activities
	Total Enterprise Funds	Total Internal Service Funds
Operating Revenues		
Charges for services	\$ 285,729	\$ -
Contributions from employer	-	7,711,596
Total Operating Revenues	<u>285,729</u>	<u>7,711,596</u>
Operating Expenses		
Payroll Costs	163,489	-
Purchased And Contracted Services	-	50,072
Supplies and Materials	71,434	15
Other Operating Costs	9,489	-
Claims Expense And Other Operating Expenses	-	8,718,899
Total Operating Expenses	<u>244,412</u>	<u>8,768,986</u>
Operating Income (Loss)	<u>41,317</u>	<u>(1,057,390)</u>
Nonoperating Revenues (Expenses)		
Transfers in	-	750,000
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>750,000</u>
Change in Net Position	41,317	(307,390)
Net Position - September 1 (Beginning)	<u>744,466</u>	<u>3,410,537</u>
Net Position - August 31 (Ending)	<u>\$ 785,783</u>	<u>\$ 3,103,147</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2025

Exhibit D-3

	Business-type Activities Total Enterprise Funds	Governmental Activities Total Internal Service Funds
Cash Flows from Operating Activities		
Cash Received from User Charges	\$ 295,865	\$ 7,711,596
Cash payments for insurance claims	-	(8,796,068)
Cash payments for other operating expenses	(245,513)	(69,469)
Net Cash Provided by (Used for) Operating Activities	50,352	(1,153,941)
Cash Flows from Non-Capital Financing Activities		
Transfers in	-	750,000
Net Cash Provided by Non-Capital Financing Activities	-	750,000
Net Change in Cash and Cash Equivalents	50,352	(403,941)
Cash and Cash Equivalents at Beginning of Year	775,828	4,442,949
Cash and Cash Equivalents at End of Year	\$ 826,180	\$ 4,039,008
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating income (Loss)	\$ 41,317	\$ (1,057,390)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Change in Assets and Liabilities:		
Increase (decrease) in prepaid items	-	(2,913)
Decrease (increase) in accounts payable	(1,364)	(16,469)
Decrease (increase) in due to other funds	(6)	-
Decrease (increase) in accrued liabilities	269	(77,169)
Decrease (increase) in unearned revenue	10,136	-
Net Cash Provided by (Used for) Operating Activities	\$ 50,352	\$ (1,153,941)

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
August 31, 2025

Exhibit E-1

	<u>Custodial Fund</u>	<u>Custodial Fund Scholarship Fund</u>
	<u>Student Activity</u>	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 112,955	\$ 856
Investments - Current	6,520	-
Total Assets	<u>\$ 119,475</u>	<u>\$ 856</u>
Net Position		
Restricted for student activities	\$ 119,475	\$ 856
Total Net Position	<u>\$ 119,475</u>	<u>\$ 856</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2025

Exhibit E-2

	<u>Custodial Fund Student Activity</u>	<u>Custodial Fund Scholarship Fund</u>
Additions		
Student club contributions	\$ 102,591	\$ -
Contributions	-	300
Total Additions	<u>102,591</u>	<u>300</u>
Deductions		
Payments for student activities	<u>107,206</u>	-
Total Deductions	<u>107,206</u>	-
Change in net position	(4,615)	300
Net Position - Beginning	<u>124,090</u>	<u>556</u>
Net Position - Ending	<u>\$ 119,475</u>	<u>\$ 856</u>



Note 1 - Summary of Significant Accounting Policies

The Willis Independent School District (the "District") is an independent public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by the registered voters of the District and has fiscal accountability over all activities within the jurisdiction of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement of Auditing Standards of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The following is a summary of the most significant accounting policies.

A. Reporting Entity

The District's Board has 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 it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. 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 judgement 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.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Willis Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to or due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to or due from on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

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, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The District reports the following major governmental funds:

- *General Fund* - The District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- *Debt Service Fund* - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
- *Capital Projects Fund* - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Additionally, the District reports the following fund type:

Governmental Funds:

- *Special Revenue Funds* - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

- *Enterprise Funds* - The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has two enterprise funds: Early Bird Child Care and Concession Stand.
- *Internal Service Funds* - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District has two internal service funds: Health Insurance and the Worker's Compensation Funds.

Fiduciary Fund:

- *Custodial Funds* - The District accounts for resources held for others in a custodial fund. This fund uses the economic resources measurement focus and accrual basis. The District's Custodial Funds are the Student Activity Fund and Scholarship Fund.

D. Implementation of New Accounting Standards

GASB issued Statement No. 101, *Compensated Absences*, was issued in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and did not have a material impact on the financial statements.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and did not have a material impact on the financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Deposits and Investments

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments, with maturity of three months or less when purchased, to be cash equivalents. For cash management purposes, the District transfers balances to either a money market mutual or an externally pooled investment account. The cash is transferred back to the District as needed.

Investments consist primarily of U.S. government agency securities, commercial paper, and municipal bonds. The District's investments are carried at fair value based on quoted market prices at year end, in accordance with U.S. generally accepted accounting principles. Investments having a maturity of three months or less are reported as cash and cash equivalents. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

F. Receivables and Payables

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 located in the District 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 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

G. Inventories and Prepaid Items

Inventories consisting of supplies and materials are stated at cost (average cost method) and they include consumable custodial, maintenance, transportation, instructional and office supplies. Inventories of governmental funds are recorded as expenditures when the supplies and materials are used or consumed (consumption method) rather than when purchased. Inventories of food commodities inventory are recorded at fair market value supplied by the Texas Department of Agriculture on the date received. Commodity inventory items are recorded as expenditures when distributed to individual campuses and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method of accounting.

Note 1 - Summary of Significant Accounting Policies (continued)

H. Capital Assets

Capital assets, which include land, buildings, furniture equipment, lease assets and subscription-based information technology arrangements (SBITAs) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives (Years)</u>
Buildings	20 - 40
Buildings and improvements	20 - 40
Vehicles	10
Office equipment	5 - 25
Computer equipment	5 - 25
Right-to use assets	Lesser of useful life or contract term

I. Leases

The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

Note 1 - Summary of Significant Accounting Policies (continued)

I. Leases (continued)

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

J. Subscription-Based Information Technology Arrangements (SBITA)

The District is under contracts for SBITA for various financial, food service and educational software. The agreements/contracts are noncancellable, and the District recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The District recognizes SBITA liabilities with an initial, individual value of \$5,000 or more.

At the commencement of the SBITA, the District initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITA include how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA, and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

Note 1 - Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable is reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has four items that qualify for reporting in this category:

- *Deferred outflows of resources for refunding* - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- *Deferred outflows of resources for pension* - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred outflows of resources for other post-employment benefits (OPEB)* - Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of net OPEB liabilities. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on plan investments will be amortized over a closed five-year period. The remaining OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the plan.

Note 1 - Summary of Significant Accounting Policies (continued)

L. Deferred Outflows/Inflows of Resources (continued)

A *deferred inflow of resources* is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- *Deferred inflows of resources for unavailable revenues* - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources on the fund financial statements.
- *Deferred gain on refunding* - Reported in the government-wide statement of net position, this deferred gain results from the difference in the carrying value of refunded debt exceeding its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- *Deferred inflows of resources for pension* - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments, 2) changes in actuarial assumptions, 3) differences between expected and actual actuarial experiences, and 4) changes in the District's proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred inflows of resources for other post-employment benefits (OPEB)* - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions, 2) differences between expected and actual actuarial experiences, and 3) changes in the District's proportional share of net OPEB liabilities. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the plan.

M. Pension

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's 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.

N. Other Post-Employment Benefits (OPEB)

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.

Note 1 - Summary of Significant Accounting Policies (continued)

O. Fund Balance Classifications

The fund balance in governmental funds has been classified as follows to describe the nature and relative strength of the spending constraints:

- *Non-spendable fund balance* - Represents amounts that are not in spendable form, such as inventory and prepaids, or are required to be maintained intact.
- *Restricted fund balance* - Represents amounts constrained to specific purposes by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation.
- *Committed fund balance* - Represents amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, i.e., Board of Trustees. To be reported as committed, amounts cannot be used for any other purpose unless the District's Board of Trustees approves the changes by Board Resolution.
- *Assigned fund balance* - Represents amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board of Trustees has retained this authority.
- *Unassigned fund balance* - Represents amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District uses the restricted assets first whenever they will have to be returned if they are not used.

P. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the Financial Accountability System Resource Guide. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.

Q. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (continued)

R. Stewardship, Compliance, and Accountability

Budgetary Data

The Board of Trustees adopts an appropriated budget for the General Fund, Debt Service Fund, and the Food Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds and then compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in the Required Supplementary Information, and the Debt Service Fund and the Food Service Fund Budget reports are presented in Exhibits J-3 and J-2, respectively.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. 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.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The appropriated budgets are prepared by fund and function. Once the budgets have been approved, they can only be amended at the fund and function level by approval of a majority of the members of the Board. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Within each fund-level budget, campus and district leaders are assigned expenditure budgets which they plan and control at the function/object level. All budget appropriations lapse at year end. Increasing or decreasing any one of the functional spending categories, or revenue object accounts and other resources require the approval of the Board. The District made several supplemental budgetary revisions throughout the year, primarily in the general fund.

Note 2 - Deposits and Investments

A. Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits. The District's cash deposits at August 31, 2025 of \$8,888,462 were fully collateralized by FDIC insurance held by the District's agent in the name of the district in accordance with Texas Government Code, Chapter 2257, Public Funds Collateral Act and the District's Investment Policy. The carrying amount of the deposits as of August 31, 2025 is reported in the financial statements is \$8,639,831.

Note 2 - Deposits and Investments (continued)

B. Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas

Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Willis Independent School District is in substantial compliance with the requirements of the Act and with local policies. Additional policies and contractual provisions governing investments for Willis Independent School District are specified below:

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2025, the District's investments were rated AAAM and AA+.

Custodial Credit Risk for Investments: To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not limit the amount of the portfolio that can be invested in any one investment vehicle. However, the District invests 99% of its funds in local government investment pools.

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 does not have a formal investment policy that limits investment maturities as means of managing exposure to fair value losses arising from increasing interest rates.

Note 2 - Deposits and Investments (continued)

B. Investments (continued)

For the year ended August 31, 2025, the District temporary investments consist of balances held by TexPool, Texas CLASS, TexSTAR, and Lone Star Investment Pool (LSIP).

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The District participates in the Texas Cooperative Liquid Assets Securities System ("Texas CLASS"), an external investment pool. Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants.

The District is a voluntary participant in two local government investment pools: Texas Short Term Asset Reserve Program (TexSTAR) and Lone Star Investment Pool (Lone Star). The TexSTAR and Lone Star investment pools' investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

Lone Star Investment Pool (LSIP) is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. The Board has entered into an agreement with First Public, LLC (First Public), a Texas limited liability company and a member of the National Association of Securities Dealers, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board, pursuant to which First Public serves as administrator of LSIP's operations. American Beacon Advisors, Fort Worth, Texas, and Standish Mellon Asset Management Company, LLC, Pittsburgh, Pennsylvania, provide investment management services to LSIP regarding the investment and reinvestment of the pool's assets. The fund's credit quality is excellent as its portfolio is composed of U. S. government and U. S. agency securities. Investments in LSIP provide for investment in securities with maturities and returns generally greater than money market instruments. LSIP is marked-to-market daily to maintain an accurate net asset value. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss. The District's amortized cost in LSIP is the same as the value of the pool shares.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Note 2 - Deposits and Investments (continued)

B. Investments (continued)

As of August 31, 2025, the District’s cash and investment balances, the weighted average maturity, and the credit ratings of these investments were as follows:

	<u>Carrying Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Governmental Activities			
Cash and deposits	\$ 8,639,831	N/A	N/A
Investment Pools			
Local Government Investment Pools:			
TexPool	481	43	AAAm
Texas CLASS	186,451,798	44	AAAm
TexStar	2,405,513	44	AAAm
Lone Star Government Overnight Fund	49,877,249	52	AAAm
Federal Farm Credit Bank	350,023	144	AA+
Federal Home Loan Bank	411,754	613	AA+
US Treasury Securities	1,525,939	314	AAAm
Total Investments	<u>241,022,757</u>		
Total Governmental Activities	<u>249,662,588</u>	341	
Business-Type Activities			
Cash and deposits	826,180	N/A	N/A
Total Business-Type Activities	<u>826,180</u>		
Fiduciary Funds			
Cash and Deposits	113,811	N/A	N/A
Investments	6,520	N/A	N/A
Total Fiduciary Funds	<u>120,331</u>		
Total	<u>\$ 250,609,099</u>		
Investment Earnings	9,682,942		

Note 3 - Receivables and Unearned Revenues

Receivables as of August 31, 2025, for the District's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Governmental Activities				
Property Taxes	\$ 3,333,763	\$ 1,425,118	\$ -	\$ 4,758,881
Due from other governments	3,223,250	-	1,273,266	4,496,516
Other Receivables	-	14,230	-	14,230
Gross receivables	6,557,013	1,439,348	1,273,266	9,269,627
Less: Allowance for doubtful accounts	(22,393)	(8,212)	-	(30,605)
Net Total Governmental Activities	<u>6,534,620</u>	<u>1,431,136</u>	<u>1,273,266</u>	<u>9,239,022</u>
Net Total Receivables	<u>\$ 6,534,620</u>	<u>\$ 1,431,136</u>	<u>\$ 1,273,266</u>	<u>\$ 9,239,022</u>

Unearned revenue at year end consisted of the following:

	<u>Unearned Revenue</u>
General fund - Season Tickets	\$ 112,705
Special revenue - Grants	79,827
Enterprise fund - Early Bird Program Fees	39,926
Total	<u>\$ 232,458</u>

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.”

As of August 31, 2025, the District's interfund balances were as follows:

<u>Governmental Activities</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Net</u>
General Fund	\$ 507,213	\$ 796,852	\$ (289,639)
Debt Service Fund	166,698	-	166,698
Capital Projects Fund	639,726	-	639,726
Nonmajor Governmental Funds	103,697	620,482	(516,785)
Total	<u>\$ 1,417,334</u>	<u>\$ 1,417,334</u>	<u>\$ -</u>

Note 4 - Interfund Receivables, Payables, and Transfers (continued)

Interfund transfer are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The following is a summary of the District’s transfers for the fiscal year ended August 31, 2025.

<u>Transfers From</u>	<u>Transfers To Internal Service Fund</u>
General fund	\$ 750,000
Total	\$ 750,000

During the fiscal year ended August 31, 2025, the District transferred \$750,000 from the general fund to the internal service fund to contribute funds for future operations.

Note 5 - Capital Assets

Capital asset activity for the governmental activities of the District for the year ended August 31, 2025, are as follows:

	<u>Balance September 1, 2024</u>	<u>Additions</u>	<u>(Transfers, Adjustments, and Retirements)</u>	<u>Balance August 31, 2025</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 23,142,050	\$ -	\$ -	\$ 23,142,050
Construction in progress	48,563,221	64,440,189	(16,421,484)	96,581,926
Total Capital Assets, Not Being Depreciated	71,705,271	64,440,189	(16,421,484)	119,723,976
Capital Assets, Being Depreciated:				
Buildings & Improvements	325,975,894	46,418	16,419,704	342,442,016
Furniture & Equipment	17,869,284	2,216,314	(572,175)	19,513,423
Right-to-use lease equipment	507,104	-	-	507,104
Right-to-use SBITA asset	831,857	-	(831,857)	-
Total Capital Assets, Being Depreciated	345,184,139	2,262,732	15,015,672	362,462,543
Less Accumulated Depreciation/Amortization for:				
Buildings & Improvements	(88,384,062)	(10,856,761)	-	(99,240,823)
Furniture & Equipment	(9,963,855)	(1,686,610)	572,175	(11,078,290)
Right-to-use lease equipment	(118,325)	(101,421)	-	(219,746)
Right-to-use SBITA asset	(649,833)	(182,024)	831,857	-
Total Accumulated Depreciation/Amortization	(99,116,075)	(12,826,816)	1,404,032	(110,538,859)
Governmental Capital Assets	\$ 317,773,335	\$ 53,876,105	\$ (1,780)	\$ 371,647,660

Note 5 - Capital Assets (continued)

Depreciation/amortization expense of the governmental activities was charged to the functions/programs as follows:

<u>Function</u>	<u>Depreciation Expense/Amortization</u>
Governmental Activities:	
Instruction	\$ 4,537,397
Instructional resources and media services	151,382
School leadership	458,241
Guidance, counseling and evaluation services	11,809
Student transportation	37,888
Food services	699,409
Extracurricular activities	575,472
General administration	2,206,133
Facilities maintenance and operations	311,503
Security and monitoring services	3,487,380
Data processing services	55,356
Community services	294,846
Total Governmental Activities	<u><u>\$ 12,826,816</u></u>

Commitments

The District has active construction projects as of August 31, 2025. The projects include the construction and equipment of school facilities. At year-end, the District's commitments totaled approximately \$40 million.

<u>Project</u>	<u>Contract Amount</u>	<u>Construction in Progress</u>	<u>Remaining Commitment</u>
HVAC Equipment	\$ 8,401,621	\$ 7,409,601	\$ 992,020
Calfee Middle School	74,981,994	68,209,750	6,772,244
Elementary School #7	39,732,323	12,135,026	27,597,297
LLMS Band Hall	3,296,226	3,270,881	25,345
Cannan Elementary Addition	437,477	153,535	283,942
WHS Parking Expansion	3,651,712	2,435,157	1,216,555
New Transportation Center	855,370	596,550	258,820
WHS 9th Grade Center	3,307,610	2,143,920	1,163,690
Voice Evacuation System Update	369,317	203,817	165,500
District Re-Key	1,059,692	13,010	1,046,682
WHS Locker Replacement	106,789	10,679	96,110
	<u><u>\$ 136,200,131</u></u>	<u><u>\$ 96,581,926</u></u>	<u><u>\$ 39,618,205</u></u>

Note 5 - Capital Assets (continued)

Commitments (continued)

The calculation of Net Investment in Capital Assets as presented at Exhibit A-1 is as follows:

Capital Assets, Net of Depreciation and Amortization	\$ 371,647,660
Less:	
General obligation bonds	(447,620,000)
Premiums	(17,799,376)
Deferred gain on refunding	(1,117,069)
Leases	(163,646)
Capital related payables	(11,279,448)
Plus:	
Unspent bond proceeds	178,771,917
Deferred charge on refunding	437,899
Net Investment in Capital Assets Per Exhibit A-1	<u><u>\$ 72,877,937</u></u>

Note 6 - Long-Term Liabilities

Changes in Long-term liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds, par	\$ 358,740,000	\$ 101,645,000	\$ (12,765,000)	\$ 447,620,000	\$ 8,740,000
Issuance premiums	16,866,528	2,012,625	(1,079,777)	17,799,376	-
Total bonds payable	<u>375,606,528</u>	<u>103,657,625</u>	<u>(13,844,777)</u>	<u>465,419,376</u>	<u>8,740,000</u>
Lease liability	265,229	-	(101,583)	163,646	104,673
SBITA liability	202,326	-	(202,326)	-	-
Arbitrage liability	-	3,670,104	-	3,670,104	338,935
Net pension liability	30,613,305	(3,493,227)	-	27,120,078	-
Net OPEB liability	12,343,224	-	4,783,223	17,126,447	-
Total Governmental Activities	<u><u>\$ 419,030,612</u></u>	<u><u>\$ 103,834,502</u></u>	<u><u>\$ (9,365,463)</u></u>	<u><u>\$ 513,499,651</u></u>	<u><u>\$ 9,183,608</u></u>

Note 6 - Long-Term Liabilities (continued)

General Obligation Bonds

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in general long-term debt for the year ended August 31, 2025 is as follows:

Description	Original Issuance Amount	Interest Rate (%)	Balance 9/1/24	Increase	Decrease	Balance 8/31/25	Due in One Year
Unlimited Tax Refunding Bonds, Series 2015	\$ 27,220,000	2.00-5.00%	\$ 8,315,000	\$ -	\$ (2,715,000)	\$ 5,600,000	\$ 2,800,000
Unlimited Tax School Building and Refunding Bonds, Series 2016	71,090,000	2.00-5.00%	68,020,000	-	(4,935,000)	63,085,000	1,860,000
Unlimited Tax School Building and Refunding Bonds, Series 2017	39,885,000	2.00-5.00%	38,025,000	-	(390,000)	37,635,000	895,000
Unlimited Tax Refunding Bonds, Series 2019	7,610,000	4.00-5.00%	1,920,000	-	(1,920,000)	-	-
Unlimited Tax Building Bonds, Series 2021	97,180,000	2.00-4.00%	94,715,000	-	(1,905,000)	92,810,000	2,680,000
Unlimited Tax Refunding Bonds, Series 2021	4,755,000	3.00-4.00%	4,700,000	-	-	4,700,000	-
Unlimited Tax Building Bonds, Series 2022	143,045,000	4.00-5.00%	143,045,000	-	-	143,045,000	-
Unlimited Tax Building Bonds, Series 2024	13,945,000	4.00-5.00%	-	13,945,000	(900,000)	13,045,000	435,000
Unlimited Tax Building Bonds, Series 2025	87,700,000	4.00-5.00%	-	87,700,000	-	87,700,000	70,000
			<u>358,740,000</u>	<u>101,645,000</u>	<u>(12,765,000)</u>	<u>447,620,000</u>	<u>8,740,000</u>
Other District Obligations:							
Premium on Bonds			<u>16,866,528</u>	<u>2,012,625</u>	<u>(1,079,777)</u>	<u>17,799,376</u>	<u>-</u>
Total Other Obligations			<u>16,866,528</u>	<u>2,012,625</u>	<u>(1,079,777)</u>	<u>17,799,376</u>	<u>-</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2025. Debt service requirements for bonds are as follows:

Year Ending August 31,	Principal	Interest	Totals
2026	\$ 8,740,000	\$ 18,171,932	\$ 26,911,932
2027	9,160,000	17,751,532	26,911,532
2028	9,595,000	17,320,782	26,915,782
2029	10,020,000	16,894,907	26,914,907
2030	10,455,000	16,456,782	26,911,782
2031 - 2035	59,290,000	75,273,306	134,563,306
2036 - 2040	72,725,000	61,852,680	134,577,680
2041 - 2045	88,200,000	46,111,609	134,311,609
2046 - 2050	106,440,000	27,075,911	133,515,911
2051 - 2055	72,995,000	6,522,154	79,517,154
	<u>\$ 447,620,000</u>	<u>\$ 303,431,595</u>	<u>\$ 751,051,595</u>

Note 6 - Long-Term Liabilities (continued)

In October 2024, the District issued \$13,945,000 Unlimited Tax School Building Bonds, Series 2024 with a premium of \$1,275,166. The proceeds are to be used (1) construction, acquisition, rehabilitation, renovation, expansion and equipment of school buildings, and (2) paying the costs of issuance related to the bonds.

In July 2025, the District issued \$87,700,000 Unlimited Tax School Building Bonds, Series 2025 with a premium of \$737,460. The proceeds are to be used (1) the construction, acquisition, rehabilitation, renovation, expansion and equipment of school buildings, and (2) paying the costs of issuance related to the bonds.

The District has also defeased Unlimited Tax School Building and Refunding Bonds, Series 2016 of \$4,078,978 in the current year using District resources. The par value of the refunded bonds were \$4,000,000. The defeasance yielded net present value savings of \$3,121,023.

Note 7 - Revenues from Local, Intermediate, and Out-of-State Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Property Taxes	\$ 45,326,500	\$ 24,887,321	\$ -	\$ -	\$ 70,213,821	\$ -	\$ 70,213,821
Tuition and Fees	52,140	-	-	-	52,140	-	52,140
Food Service Activity	-	-	-	1,794,081	1,794,081	-	1,794,081
Rent	214,935	-	-	-	214,935	-	214,935
Extracurricular Activities	167,470	-	-	1,056,738	1,224,208	-	1,224,208
Insurance Recovery	19,721	-	-	-	19,721	-	19,721
Investment Income	2,888,101	571,012	5,989,060	145,838	9,594,011	-	9,594,011
Charges for Services	-	-	-	-	-	285,729	285,729
Other	918,654	3,277	-	33,913	955,844	-	955,844
Total	<u>\$ 49,587,521</u>	<u>\$ 25,461,610</u>	<u>\$ 5,989,060</u>	<u>\$ 3,030,570</u>	<u>\$ 84,068,761</u>	<u>\$ 285,729</u>	<u>\$ 84,354,490</u>

Note 8 - Leases

The District is under contract for a noncancellable lease agreement that convey control of the right-to-use assets. The lease liability outstanding as of August 31, 2025 was as follows:

<u>Lease Type</u>	<u>Start Date</u>	<u>End Date</u>	<u>Interest Rate</u>	<u>Lease Liability</u>		<u>Lease Asset</u>		
				<u>Original Amount</u>	<u>Liability as of August 31, 2025</u>	<u>Original Amount</u>	<u>Accumulated Amortization August 31, 2025</u>	<u>Net Amount August 31, 2025</u>
				Copiers	8/1/2022	7/1/2027	3.00%	\$ 507,104
				<u>\$ 507,104</u>	<u>\$ 163,646</u>	<u>\$ 507,104</u>	<u>\$ (219,746)</u>	<u>\$ 287,358</u>

The future principal and interest lease payments as of August 31, 2025, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 104,673	\$ 4,671	\$ 109,344
2027	58,973	1,487	60,460
	<u>\$ 163,646</u>	<u>\$ 6,158</u>	<u>\$ 169,804</u>

Note 9 - Defined Benefit Pension Plan

Plan Description

The District participates in a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/learning-resources/publications>, or by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

Benefits Provided

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

Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

Note 9 - Defined Benefit Pension Plan (continued)

Benefits Provided (continued)

One-Time Stipends

Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time \$2,400 stipend to eligible annuitants age 70 to 74.

Cost-of-Living Adjustment

A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment:

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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 this manner are determined by the System's actuary.

Contributions

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

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 2019 through 2025.

	<u>Contribution Rates</u>		<u>Contribution</u>
	<u>September 1, 2024</u>		<u>Amounts</u>
	<u>to August 31, 2025</u>		<u>Amounts</u>
Active Employee	8.25%	\$	5,261,973
Non-Employer Contributing Entity (State)	8.25%		3,454,220
District	8.25%		2,798,479

Note 9 - Defined Benefit Pension Plan (continued)

Contributions (continued)

Contributors to the plan include active members, employers and the State of Texas as the only non-employer contributing entity. The State is also the employer for senior colleges, and universities, medical schools and other entities, 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 schools, junior colleges, other entities, or the State of Texas as the employer for senior colleges, universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, is a surcharge an employer is subject to.

- All public schools, charter schools, and regional education service centers must contribute 1.9% of the member's salary beginning in fiscal year 2024, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Note 9 - Defined Benefit Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Component	Result
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 Rate	7.00%
Municipal Bond Rate as of August 2024	3.87% - 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.
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions please see the actuarial valuation report dated November 22, 2023.

Discount Rate

A single discount rate of 7 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7 percent. The projection of 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 session. It is assumed that future employer and state contributions will be 9.54% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term rate of return on pension plan investments is 7 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 9 - Defined Benefit Pension Plan (continued)

Discount Rate (continued)

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 ¹	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity ¹	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return ¹	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources & Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ⁴			-0.70%
Expected Return	100.00%		7.90%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the fiscal year 2024 policy model.

³ Capital Market Assumptions (CMA) come from 2024 AAA Study CMA Survey (as of 12/31/2023)

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Note 9 - Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (7.00%) in measuring the Net pension liability:

	Discount Rate		
	1% Decrease 6.00%	Current 7.00%	1% Increase 8.00%
District's proportional share of the net pension liability	\$ 43,317,636	\$ 27,120,078	\$ 13,699,249

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

On August 31, 2025, the District reported a liability of \$27,120,078 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 27,120,078
State's proportionate share that is associated with the District	32,966,509
Total	<u>\$ 60,086,587</u>

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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024, the District's proportion of the collective net pension liability was 0.0444% which was a decrease of 0.0002% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

Note 9 - Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

For the year ended August 31, 2025, the District recognized pension expense of \$4,202,761. The District also recognized on-behalf pension expense and revenue of \$3,940,049 for support provided by the State.

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 pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,494,822	\$ (211,740)
Changes in assumptions	1,400,268	(187,728)
Net difference between projected and actual earnings on pension plan investments	164,853	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,633,923	(403,394)
District contributions subsequent to the measurement date of the net pension liability	2,798,479	-
Total	<u>\$ 7,492,345</u>	<u>\$ (802,862)</u>

The District recognized \$2,798,479 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended August 31, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending August 31,</u>	<u>Pension Expense Amount</u>
2026	\$ 464,292
2027	3,392,837
2028	660,644
2029	(708,036)
2030	81,267
	<u>\$ 3,891,004</u>

Note 10 - Defined Other Post-Employment Benefit Plans

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 benefit Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Annual 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/learning-resources/publications>, or by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, 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 for Retirees	
	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

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

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 of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% 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% of each active employee’s pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>September 1, 2024</u> <u>to August 31, 2025</u>	<u>Contribution</u> <u>Amounts</u>
Active Employee	0.65%	\$ 414,586
Non-Employer Contributing Entity (State)	1.25%	1,189,871
District:		
District, Excluding Federal/Private Funding	0.75%	509,394
Federal/Private Funding	1.25%	58,598
Total District		<u>567,992</u>
Total		<u>\$ 2,172,449</u>

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS-Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

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 was determined using the following actuarial assumptions:

Component	Result
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 age-adjusted claim costs.
Projected Salary Increases	2.95% to 8.95% including inflation
Healthcare Trend Rates	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.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

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 demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, and (f) 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.

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.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

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

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Discount Rate Sensitivity Analysis

Discount Rate – The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the net OPEB Liability.

	Discount Rate		
	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
District's proportionate share of the Net OPEB Liability	\$ 20,347,019	\$ 17,126,447	\$ 14,524,176

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

At August 31, 2025, the District reported a liability of \$17,126,447 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:

District's proportionate share of the collective net OPEB liability	\$ 17,126,447
State's proportionate share that is associated with District	21,459,206
Total	\$ 38,585,653

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 the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024, the District's proportion of the collective Net OPEB Liability was 0.0564%, which was an increase of 0.0006% from its proportionate share measured as of August 31, 2023.

Healthcare Trend Rate Sensitivity Analysis

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

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
District's proportionate share of the Net OPEB Liability	\$ 13,946,948	\$ 17,126,447	\$ 21,269,651

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 single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs (continued)

Changes of Benefit Terms Since the Prior Measurement Date

There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2025, the District recognized negative on-behalf OPEB expense of \$1,641,386. The District also recognized negative on-behalf expense and revenue of \$2,789,301 for support provided by the State.

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 3,282,565	\$ (8,547,026)
Changes in actuarial assumptions	2,191,983	(5,588,161)
Difference between projected and actual investment earnings	-	(47,960)
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,554,963	(204,457)
District contributions subsequent to the measurement date of the net OPEB liability	567,993	-
Total	<u>\$ 8,597,504</u>	<u>\$ (14,387,604)</u>

The \$567,993 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending August 31, 2026.

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:

<u>Year Ending August 31</u>	<u>OPEB Expense Amount</u>
2026	\$ (2,087,172)
2027	(1,311,494)
2028	(1,569,561)
2029	(1,275,977)
2030	(550,490)
Thereafter	436,601
	<u>\$ (6,358,093)</u>

Note 10 - Defined Other Post-Employment Benefit Plans (continued)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were \$451,201, \$311,363, and \$303,196, respectively. The information for the year ended August 31, 2025 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 11 - Accumulated Unpaid Vacation and Sick Leave Benefits

The amounts accrued for unpaid vacation and sick leave are immaterial and are not recorded.

Note 12 - Risk Management

Health Insurance Fund

Beginning September 2022, the only health insurance plan available to District employees was the District sponsored self-funded plan to provide health care benefits to employees and their dependents. The plan was administered by a third party. The District was protected against catastrophic individual or aggregate loss through stop-loss coverage carried through an insurance carrier. Premiums are paid into an internal service fund and are available to pay claims and administrative costs of the program. These interfund premiums are reported as revenues in the internal service fund. Estimates of claims payable and of claims incurred but not reported as of August 31, 2025, are reflected as claims payable of the fund. These estimates were determined based on claims information supplied by the claims administrator. The plan is funded to discharge liabilities as they become due.

The following is a summary of the changes in the claims payable for the health insurance internal service fund for fiscal year 2025:

Fiscal Year	Beginning of Fiscal Year				Balance at Fiscal Year
	Claims Payable	Claims	Claim Payments	End	
2025	\$ 545,894	8,544,094	(8,549,654)	540,334	
2024	373,671	7,963,394	(7,791,171)	545,894	

Workers' Compensation

The District maintains a self-insurance plan for workers' compensation benefits for employees (the "Plan"). The District's retention of risk is \$1,000,000 per occurrence with an aggregate stop-loss limit of \$5,000,000. Claims incurred by the employees of the District are handled by a third-party administrator who is responsible for estimating losses to be incurred by the District and ultimately paid to the claimant.

Settled claims have not exceeded the aggregate coverage in any year the Plan has been in effect. Insurance coverage has not been reduced for the year from the prior year. The accrued claims payable includes provisions for reported claims and claims incurred but not yet reported is determined by estimating the amount that will ultimately be paid each claimant and is calculated and provided by the District's third-party administrator. Accrued claims payable have not been discounted to their present value as the District expects such claims to be paid within the following fiscal year. The District believes that any discount of the claims payable would not be material to the overall financial statements.

Note 12 - Risk Management (continued)

Workers' Compensation (continued)

Changes in the balances of claims liabilities during the current and past year are as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year</u>	<u>Claims</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year</u>
	<u>Claims Payable</u>			<u>End</u>
2025	\$ 255,954	174,805	(246,414)	184,345
2024	109,956	303,819	(157,821)	255,954

Note 13 - Committed Fund Balance

The District's Board of Trustees has committed \$23 million in the General Fund for the following purposes:

<u>Project/Item</u>	<u>Amount</u>
School Buses	\$ 1,000,000
Campus Improvement Projects	5,000,000
Campus Security Improvements	2,450,000
Stadium Enhancements	550,000
Emergency Funds for Utility Costs	1,000,000
Future Insurance Claims	3,000,000
Purchase of Future School Site(s)	10,000,000
Total	\$ 23,000,000

The District commits 100% of its campus activities fund balance within the special revenue fund.

Note 14 – Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. The District has estimated that it has an arbitrage liability of \$3,670,104 as of August 31, 2025.

Note 15 – Subsequent Event

In November 2025, the District issued the Unlimited Tax Refunding Bonds, Series 2025 in the amount of \$39,205,000. Proceeds from the sale of the Bonds will be used for (i) providing funds for the discharge and final payment of certain obligations of the District (Unlimited Tax Refunding Bonds, Series 2015, and Unlimited Tax School Building and Refunding Bonds, Series 2016) and (ii) paying the costs and expenses of issuance related to the Bonds.



REQUIRED SUPPLEMENTARY INFORMATION

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ORIGINAL BUDGET, AMENDED FINAL (GAAP BASIS) AND ACTUAL - GENERAL FUND
For the Year Ended August 31, 2025

Exhibit G-1

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local revenues	\$ 50,349,291	\$ 48,675,565	\$ 49,587,521	\$ 911,956
State program revenues	34,684,016	40,312,560	40,514,639	202,079
Federal program revenues	1,355,000	1,141,493	1,091,869	(49,624)
Total Revenues	<u>86,388,307</u>	<u>90,129,618</u>	<u>91,194,029</u>	<u>1,064,411</u>
Expenditures				
Current:				
Instruction	49,140,044	50,278,436	50,267,186	11,250
Instructional resources and media services	236,407	215,045	182,700	32,345
Curriculum and staff development	1,526,668	1,735,255	1,675,364	59,891
Instructional leadership	607,420	717,927	698,447	19,480
School leadership	5,531,902	5,706,019	5,592,817	113,202
Guidance, counseling and evaluation services	3,403,734	3,452,460	3,420,545	31,915
Social work services	244,902	270,751	218,889	51,862
Health services	970,604	1,002,939	966,263	36,676
Student transportation	4,737,646	5,638,400	5,442,743	195,657
Extracurricular activities	2,328,693	2,404,864	2,401,786	3,078
General administration	3,304,323	3,455,060	3,365,335	89,725
Facilities maintenance and operations	10,491,323	10,743,151	10,738,707	4,444
Security and monitoring services	1,676,536	1,871,166	1,750,361	120,805
Data processing services	1,031,103	2,001,143	1,964,865	36,278
Debt Service:				
Principal on long-term debt	446,577	446,577	303,909	142,668
Interest on long-term debt	28,423	28,423	12,630	15,793
Intergovernmental:				
Payments to Juvenile Justice Alt. Ed. Prgm.	12,000	12,000	11,560	440
Other governmental charges	670,000	700,000	683,453	16,547
Total Expenditures	<u>86,388,305</u>	<u>90,679,616</u>	<u>89,697,560</u>	<u>982,056</u>
Excess (deficiency) of revenues over expenditures	<u>2</u>	<u>(549,998)</u>	<u>1,496,469</u>	<u>2,046,467</u>
Other Financing Sources (Uses):				
Transfers out	-	-	(750,000)	(750,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(750,000)</u>	<u>(750,000)</u>
Net change in fund balances	2	(549,998)	746,469	1,296,467
Fund Balances - Beginning	47,661,962	47,661,962	47,661,962	-
Fund Balances - Ending	<u>\$ 47,661,964</u>	<u>\$ 47,111,964</u>	<u>\$ 48,408,431</u>	<u>\$ 1,296,467</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Ten Measurement Years

Exhibit G-2

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net pension liability	0.0444%	0.0445%	0.0445%	0.3780%	0.0366%
District's proportionate share of the net pension liability	\$ 27,120,078	\$ 30,613,305	\$ 26,420,399	\$ 9,616,439	\$ 19,596,125
State's proportionate share of the net pension liability associated with the District	<u>32,966,509</u>	<u>38,334,707</u>	<u>33,895,552</u>	<u>15,472,064</u>	<u>32,666,379</u>
Total	<u><u>\$ 60,086,587</u></u>	<u><u>\$ 68,948,012</u></u>	<u><u>\$ 60,315,951</u></u>	<u><u>\$ 25,088,503</u></u>	<u><u>\$ 52,262,504</u></u>
District's covered payroll (for Measurement Year)	\$ 52,269,955	\$ 55,763,828	\$ 53,245,711	\$ 48,055,226	\$ 46,456,111
District's proportionate share of the net pension liability as a percentage of covered payroll	51.88%	54.90%	49.62%	20.01%	42.18%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.65%	88.79%	75.57%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0403%	0.0393%	0.0390%	0.0362%	0.0379%
District's proportionate share of the net pension liability	\$ 20,936,137	\$ 21,614,753	\$ 12,471,763	\$ 13,678,697	\$ 13,395,838
State's proportionate share of the net pension liability associated with the District	<u>29,856,517</u>	<u>32,061,491</u>	<u>18,887,011</u>	<u>22,386,698</u>	<u>21,163,850</u>
Total	<u><u>\$ 50,792,654</u></u>	<u><u>\$ 53,676,244</u></u>	<u><u>\$ 31,358,774</u></u>	<u><u>\$ 36,065,395</u></u>	<u><u>\$ 34,559,688</u></u>
District's covered payroll (for Measurement Year)	\$ 43,699,281	\$ 41,678,787	\$ 39,972,432	\$ 37,322,171	\$ 35,786,146
District's proportionate share of the net pension liability as a percentage of covered payroll	47.91%	51.86%	31.20%	36.65%	37.43%
Plan fiduciary net position as a percentage of the total pension liability	57.24%	73.74%	82.17%	78.00%	78.43%

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Ten Fiscal Years Ended August 31

Exhibit G-3

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contributions	\$ 2,798,479	\$ 2,499,303	\$ 2,290,167	\$ 2,076,726	\$ 1,612,161
Contributions in relation to the					
contractually required contributions	<u>2,798,479</u>	<u>2,499,303</u>	<u>2,290,167</u>	<u>2,076,726</u>	<u>(1,612,161)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 63,781,449	\$ 52,269,955	\$ 55,763,828	\$ 53,245,711	\$ 48,055,226
Contributions as a percentage of covered payroll	4.39%	4.78%	4.11%	3.90%	3.35%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 1,501,458	\$ 1,408,633	\$ 1,322,974	\$ 1,278,273	\$ 1,150,103
Contributions in relation to the					
contractually required contributions	<u>(1,501,458)</u>	<u>(1,408,633)</u>	<u>(1,322,974)</u>	<u>(1,278,273)</u>	<u>(1,150,103)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 46,456,111	\$ 43,699,281	\$ 41,678,787	\$ 39,972,432	\$ 37,322,171
Contributions as a percentage of covered payroll	3.23%	3.22%	3.17%	3.20%	3.08%

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Eight Measurement Years

Exhibit G-4

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
District's proportion of the net OPEB liability	0.0564270%	0.055800%	0.0554000%	0.0507000%
District's proportionate share of the net OPEB liability	\$ 17,126,447	\$ 12,343,224	\$ 13,274,284	\$ 19,548,361
State's proportionate share of the net OPEB liability associated with the District	21,459,206	14,893,997	16,192,541	26,190,447
Total	<u>\$ 38,585,653</u>	<u>\$ 27,237,221</u>	<u>\$ 29,466,825</u>	<u>\$ 45,738,808</u>
District's covered payroll (for Measurement Year)	\$ 52,269,955	\$ 55,763,828	\$ 53,245,711	\$ 48,055,226
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	32.77%	22.13%	24.93%	40.68%
Plan fiduciary net position as a percentage of the total OPEB liability *	13.70%	14.94%	11.52%	6.18%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0506623%	0.0513837%	0.0505885%	0.0503240%
District's proportionate share of the net OPEB liability	\$ 19,259,034	\$ 24,299,982	\$ 25,259,276	\$ 21,884,017
State's proportionate share of the net OPEB liability associated with the District	25,879,525	32,289,236	35,134,208	29,772,356
Total	<u>\$ 45,138,559</u>	<u>\$ 56,589,218</u>	<u>\$ 60,393,484</u>	<u>\$ 51,656,373</u>
District's covered payroll (for Measurement Year)	\$ 46,456,111	\$ 43,699,281	\$ 41,678,787	\$ 39,972,432
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	41.46%	55.61%	60.60%	54.75%
Plan fiduciary net position as a percentage of the total OPEB liability *	4.99%	2.66%	1.57%	0.91%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.
Note: Ten years of data should be presented in this schedule but data is unavailable prior to fiscal year 2017.

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Eight Fiscal Years Ended August 31

Exhibit G-5

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contributions	\$ 567,992	\$ 498,472	\$ 483,596	\$ 455,330
Contributions in relation to the contractually required contributions	567,992	498,472	483,596	455,330
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 63,781,449	\$ 52,269,955	\$ 55,763,828	\$ 53,245,711
Contributions as a percentage of covered payroll	0.89%	0.95%	0.87%	0.86%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 395,022	\$ 392,913	\$ 364,521	\$ 349,034
Contributions in relation to the contractually required contributions	395,022	392,913	364,521	349,034
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 48,055,226	\$ 46,456,111	\$ 43,669,281	\$ 41,678,787
Contributions as a percentage of covered payroll	0.82%	0.85%	0.83%	0.84%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end.

Note: Ten years of data should be presented in this schedule but data is unavailable prior to fiscal year 2018.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note 1 - Budget

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the national school breakfast and lunch program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. 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.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources and uses require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

B. Excess of Expenditures Over Appropriations

For the fiscal year ended August 31, 2025, the District did not exceed appropriations in the functions (the legal level of budgetary control).

Note 2 - Net Pension Liability and Net OPEB Liability

Changes of Assumptions - Pension

Measurement Year 2018: The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Measurement Year 2019: None

Measurement Year 2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

Measurement Year 2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.

Measurement Year 2022: The discount rate changed from 7.25% to 7.00%.

WILLIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (continued)

Note 2 - Net Pension Liability and Net OPEB Liability (continued)

Changes of Assumptions – Pension (continued)

Measurement Year 2023: None.

Measurement Year 2024: None.

Changes of Assumptions - OPEB

Measurement Year 2018: The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018, lowered the participation rates and updated the health care trend rate assumption.

Measurement Year 2019: The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, Lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

Measurement Year 2020: The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

Measurement Year 2021: The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021.

Measurement Year 2022: The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022, lowered the participation rates, and updated the healthcare trend rate assumption.

Measurement Year 2023: The discount rate changed from 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023, Revised demographic and economic assumptions based on the TRS experience study.

Measurement Year 2024: The discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, the tables used to model the impact of aging on the underlying claims were revised.

OTHER SUPPLEMENTARY INFORMATION

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 1 of 7

Data Control Codes		211	213	214	215
		ESEA, Title I, Pt A - Improving Basic Ed.	ESEA, SFI Part B2 K-5 Math	ESEA, Title I, 1003 ESF Focused Support Grant	ESEA, Instructional Leadership Grant
		Assets			
1110	Cash and cash equivalents	\$ 1,977	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1240	Receivables from other governments	118,146	-	-	42,630
1260	Due from other funds	-	-	-	-
1000	Total Assets	<u>\$ 120,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,630</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	120,123	-	-	-
2170	Due to other funds	-	-	-	42,630
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>120,123</u>	<u>-</u>	<u>-</u>	<u>42,630</u>
Fund Balances:					
Restricted:					
3450	Federal/State funds grant restrictions	-	-	-	-
Committed:					
3545	Campus activities	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 120,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,630</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 2 of 7

		224	225	226	240
<u>Data Control Codes</u>		<u>IDEA B - Formula</u>	<u>IDEA B - Preschool</u>	<u>IDEA-Part B High Cost Risk Pool</u>	<u>Child Nutrition</u>
Assets					
1110	Cash and cash equivalents	\$ 27,869	\$ -	\$ -	\$ 2,480,967
1120	Investments - Current	-	-	-	-
1240	Receivables from other governments	126,436	1,017	-	356,271
1260	Due from other funds	-	-	-	103,697
1000	Total Assets	<u>\$ 154,305</u>	<u>\$ 1,017</u>	<u>\$ -</u>	<u>\$ 2,940,935</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 25,663	\$ -	\$ -	\$ 381,369
2160	Accrued wages payable	128,642	74	-	203,055
2170	Due to other funds	-	943	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>154,305</u>	<u>1,017</u>	<u>-</u>	<u>584,424</u>
Fund Balances:					
Restricted:					
3450	Federal/State funds grant restrictions	-	-	-	2,356,511
Committed:					
3545	Campus activities	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,356,511</u>
4000	Total Liabilities and Fund Balances	<u>\$ 154,305</u>	<u>\$ 1,017</u>	<u>\$ -</u>	<u>\$ 2,940,935</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 3 of 7

Data Control Codes		244	255	263	272
		Career and Technical Education	ESEA, Title II, Pt A - Supporting Effective Instruction	ESEA, Title III, Pt A - BIL/ESL	Medicaid Administrative Claiming Program
Assets					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 230,388
1120	Investments - Current	-	-	-	-
1240	Receivables from other governments	1,616	34,042	12,399	-
1260	Due from other funds	-	-	-	-
1000	Total Assets	\$ 1,616	\$ 34,042	\$ 12,399	\$ 230,388
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	1,616	4,391	7,748	-
2170	Due to other funds	-	29,651	4,651	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	1,616	34,042	12,399	-
Fund Balances:					
Restricted:					
3450	Federal/State funds grant restrictions	-	-	-	230,388
Committed:					
3545	Campus activities	-	-	-	-
3000	Total Fund Balances	-	-	-	230,388
4000	Total Liabilities and Fund Balances	\$ 1,616	\$ 34,042	\$ 12,399	\$ 230,388

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 4 of 7

		282	287	288	385
Data Control Codes		ESSER III (ARPA)	Education Jobs Fund	Other Federally Funded Special Revenue Funds	Visually Impaired State
Assets					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1240	Receivables from other governments	-	87	-	-
1260	Due from other funds	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 87</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	-	87	-	-
2170	Due to other funds	-	-	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>87</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted:					
3450	Federal/State funds grant restrictions	-	-	-	-
Committed:					
3545	Campus activities	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 87</u>	<u>\$ -</u>	<u>\$ -</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 5 of 7

Data Control Codes		410	421	424	425
		Instructional Materials Allotment	Interactive Online Learning Grant	Education and Training for High School Pathways	Safety and Facilities Enhancement (SAFE) Grant, Cycle 1
Assets					
1110	Cash and cash equivalents	\$ 73,422	\$ -	\$ 294	\$ -
1120	Investments - Current	-	-	-	-
1240	Receivables from other governments	-	32,028	-	485,481
1260	Due from other funds	-	-	-	-
1000	Total Assets	<u>\$ 73,422</u>	<u>\$ 32,028</u>	<u>\$ 294</u>	<u>\$ 485,481</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 7,391	\$ 32,028	\$ -	\$ 5,987
2160	Accrued wages payable	-	-	294	-
2170	Due to other funds	-	-	-	479,494
2300	Unearned revenues	66,031	-	-	-
2000	Total Liabilities	<u>73,422</u>	<u>32,028</u>	<u>294</u>	<u>485,481</u>
Fund Balances:					
Restricted:					
3450	Federal/State funds grant restrictions	-	-	-	-
Committed:					
3545	Campus activities	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 73,422</u>	<u>\$ 32,028</u>	<u>\$ 294</u>	<u>\$ 485,481</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 6 of 7

<u>Data Control Codes</u>	426 Safety and Facilities Enhancement (SAFE) Grant, Cycle 2	427 Evaluation Capacity Fund	428 High School Allotment	461 Campus Activity Funds	
Assets					
1110	Cash and cash equivalents	\$ -	\$ -	\$ 4,639	\$ 334,859
1120	Investments - Current	-	-	-	675,753
1240	Receivables from other governments	-	63,113	-	-
1260	Due from other funds	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 63,113</u>	<u>\$ 4,639</u>	<u>\$ 1,010,612</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ -	\$ 2,240
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	63,113	-	-
2300	Unearned revenues	-	-	4,639	-
2000	Total Liabilities	<u>-</u>	<u>63,113</u>	<u>4,639</u>	<u>2,240</u>
Fund Balances:					
Restricted:					
3450	Federal/State funds grant restrictions	-	-	-	-
Committed:					
3545	Campus activities	-	-	-	1,008,372
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,008,372</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 63,113</u>	<u>\$ 4,639</u>	<u>\$ 1,010,612</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 7 of 7

Data Control Codes		498	499	
		After School Achievement	Misc. Donations/ Grants	Total Nonmajor Governmental Funds
Assets				
1110	Cash and cash equivalents	\$ 13,674	\$ 9,157	\$ 3,177,246
1120	Investments - Current	-	-	675,753
1240	Receivables from other governments	-	-	1,273,266
1260	Due from other funds	-	-	103,697
1000	Total Assets	<u>\$ 13,674</u>	<u>\$ 9,157</u>	<u>\$ 5,229,962</u>
Liabilities and Fund Balances				
Liabilities:				
Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ 454,678
2160	Accrued wages payable	-	-	466,030
2170	Due to other funds	-	-	620,482
2300	Unearned revenues	-	9,157	79,827
2000	Total Liabilities	<u>-</u>	<u>9,157</u>	<u>1,621,017</u>
Fund Balances:				
Restricted:				
3450	Federal/State funds grant restrictions	13,674	-	2,600,573
Committed:				
3545	Campus activities	-	-	1,008,372
3000	Total Fund Balances	<u>13,674</u>	<u>-</u>	<u>3,608,945</u>
4000	Total Liabilities and Fund Balances	<u>\$ 13,674</u>	<u>\$ 9,157</u>	<u>\$ 5,229,962</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2
Page 1 of 7

Data Control Codes		211	213	214	215
		ESEA, Title I, Pt A - Improving Basic Ed.	ESEA, SFI Part B2 K-5 Math	ESEA, Title I, 1003 ESF Focused Support Grant	ESEA, Instructional Leadership Grant
		Revenues			
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	1,422,234	188,981	26,888	42,630
5020	Total Revenues	1,422,234	188,981	26,888	42,630
Expenditures					
Current:					
0011	Instruction	784,857	188,981	-	-
0012	Instructional Resources and Media Services	82,160	-	-	-
0013	Curriculum and Instructional Staff Development	292,165	-	1,688	42,630
0021	Instructional Leadership	84,787	-	-	-
0023	School Leadership	178,265	-	25,200	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
6030	Total Expenditures	1,422,234	188,981	26,888	42,630
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2
Page 2 of 7

	224	225	226	240
Data Control Codes	IDEA B - Formula	IDEA B - Preschool	IDEA-Part B High Cost Risk Pool	Child Nutrition
Revenues				
5700	\$ -	\$ -	\$ -	\$ 1,908,679
5800	-	-	-	167,814
5900	1,694,016	25,211	5,641	5,152,312
5020	1,694,016	25,211	5,641	7,228,805
Expenditures				
Current:				
0011	1,322,835	25,211	5,641	-
0012	-	-	-	-
0013	5,308	-	-	-
0021	40,510	-	-	-
0023	1,458	-	-	-
0031	323,905	-	-	-
0033	-	-	-	-
0035	-	-	-	7,034,433
0036	-	-	-	-
0041	-	-	-	-
0052	-	-	-	-
0053	-	-	-	-
6030	1,694,016	25,211	5,641	7,034,433
1200	-	-	-	194,372
0100	-	-	-	2,162,139
3000	\$ -	\$ -	\$ -	\$ 2,356,511

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2
Page 3 of 7

Data Control Codes		244	255	263	272
		Career and Technical Education	ESEA, Title II, Pt A - Supporting Effective Instruction	ESEA, Title III, Pt A - BIL/ESL	Medicaid Administrative Claiming Program
Revenues					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	87,547	307,490	148,211	26,651
5020	Total Revenues	87,547	307,490	148,211	26,651
Expenditures					
Current:					
0011	Instruction	85,520	43,334	132,410	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	2,027	168,269	11,385	-
0021	Instructional Leadership	-	36,771	3,365	-
0023	School Leadership	-	57,332	1,051	-
0031	Guidance, Counseling and Evaluation Services	-	1,784	-	-
0033	Health Services	-	-	-	21,315
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
6030	Total Expenditures	87,547	307,490	148,211	21,315
1200	Net change in fund balances	-	-	-	5,336
0100	Fund Balance - September 1 (Beginning)	-	-	-	225,052
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 230,388

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2
Page 4 of 7

	282	287	288	385
Data Control Codes	ESSER III (ARPA)	Education Jobs Fund	Other Federally Funded Special Revenue Funds	Visually Impaired State
Revenues				
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	7,561
5900	Federal Program Revenues	1,234,241	117,568	5,454
5020	Total Revenues	<u>1,234,241</u>	<u>117,568</u>	<u>7,561</u>
Expenditures				
Current:				
0011	Instruction	943,393	84,034	5,454
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	45,098	4,750	-
0021	Instructional Leadership	13,763	6,500	-
0023	School Leadership	61,907	14,918	-
0031	Guidance, Counseling and Evaluation Services	84,620	-	-
0033	Health Services	-	-	-
0035	Food Services	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-
0041	General Administration	85,460	-	-
0052	Security and Monitoring Services	-	7,366	-
0053	Data Processing Services	-	-	-
6030	Total Expenditures	<u>1,234,241</u>	<u>117,568</u>	<u>5,454</u>
1200	Net change in fund balances	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2
Page 5 of 7

Data Control Codes		410	421	424	425
		Instructional Materials Allotment	Interactive Online Learning Grant	Education and Training for High School Pathways	Safety and Facilities Enhancement (SAFE) Grant, Cycle 1
Revenues					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	1,422,760	32,028	7,939	571,002
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	1,422,760	32,028	7,939	571,002
Expenditures					
Current:					
0011	Instruction	1,422,365	32,028	6,587	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	395	-	1,352	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0052	Security and Monitoring Services	-	-	-	571,002
0053	Data Processing Services	-	-	-	-
6030	Total Expenditures	1,422,760	32,028	7,939	571,002
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2
Page 6 of 7

Data Control Codes		426 Safety and Facilities Enhancement (SAFE) Grant, Cycle 2	427 Evaluation Capacity Fund	428 High School Allotment	461 Campus Activity Funds
	Revenues				
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 1,087,978
5800	State Program Revenues	252,448	75,955	80,000	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	252,448	75,955	80,000	1,087,978
	Expenditures				
	Current:				
0011	Instruction	-	-	-	25,813
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	388
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	212
0035	Food Services	-	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	1,065,753
0041	General Administration	-	-	80,000	-
0052	Security and Monitoring Services	252,448	75,955	-	-
0053	Data Processing Services	-	-	-	13,110
6030	Total Expenditures	252,448	75,955	80,000	1,105,276
1200	Net change in fund balances	-	-	-	(17,298)
0100	Fund Balance - September 1 (Beginning)	-	-	-	1,025,670
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 1,008,372

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2
Page 7 of 7

Data Control Codes		498	499	Total Nonmajor Governmental Funds
		After School Achievement	Misc. Donations/ Grants	
Revenues				
5700	Local and Intermediate Sources	\$ 33,582	\$ 331	\$ 3,030,570
5800	State Program Revenues	-	-	2,617,507
5900	Federal Program Revenues	-	-	10,485,075
5020	Total Revenues	<u>33,582</u>	<u>331</u>	<u>16,133,152</u>
Expenditures				
Current:				
0011	Instruction	20,501	331	5,136,856
0012	Instructional Resources and Media Services	-	-	82,160
0013	Curriculum and Instructional Staff Development	-	-	575,067
0021	Instructional Leadership	-	-	185,696
0023	School Leadership	-	-	340,519
0031	Guidance, Counseling and Evaluation Services	-	-	410,309
0033	Health Services	-	-	21,527
0035	Food Services	-	-	7,034,433
0036	Cocurricular/Extracurricular Activities	14,559	-	1,080,312
0041	General Administration	-	-	165,460
0052	Security and Monitoring Services	-	-	906,771
0053	Data Processing Services	-	-	13,110
6030	Total Expenditures	<u>35,060</u>	<u>331</u>	<u>15,952,220</u>
1200	Net change in fund balances	(1,478)	-	180,932
0100	Fund Balance - September 1 (Beginning)	<u>15,152</u>	-	<u>3,428,013</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 13,674</u>	<u>\$ -</u>	<u>\$ 3,608,945</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS
August 31, 2025

Exhibit H-3

	720	725	Total
	Early Bird Child Care	Concession Stand	Enterprise Funds (See Exhibit D-1)
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 815,411	\$ 10,769	\$ 826,180
Total current assets	<u>815,411</u>	<u>10,769</u>	<u>826,180</u>
Total Assets	<u>815,411</u>	<u>10,769</u>	<u>826,180</u>
Liabilities			
Accrued Expenses	471	-	471
Unearned Revenue	39,926	-	39,926
Total Liabilities	<u>40,397</u>	<u>-</u>	<u>40,397</u>
Net Position			
Unrestricted	775,014	10,769	785,783
Total Net Position	<u>\$ 775,014</u>	<u>\$ 10,769</u>	<u>\$ 785,783</u>

WILLIS INDEPENDENT SCHOOL DISTRICT**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****ENTERPRISE FUNDS***For the Year Ended August 31, 2025**Exhibit H-4*

	720	725	Total
	Early Bird Child Care	Concession Stand	Enterprise Funds (See Exhibit D-2)
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues			
Charges for services	\$ 131,418	\$ 154,311	\$ 285,729
Total Operating Revenues	<u>131,418</u>	<u>154,311</u>	<u>285,729</u>
Operating Expenses			
Payroll Costs	90,731	72,758	163,489
Supplies and Materials	416	71,018	71,434
Other Operating Costs	6,576	2,913	9,489
Total Operating Expenses	<u>97,723</u>	<u>146,689</u>	<u>244,412</u>
Operating Income (Loss)	33,695	7,622	41,317
Net Position - September 1 (Beginning)	<u>741,319</u>	<u>3,147</u>	<u>744,466</u>
Net Position - August 31 (Ending)	<u>\$ 775,014</u>	<u>\$ 10,769</u>	<u>\$ 785,783</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended August 31, 2025

Exhibit H-5

	720	725	Total
	Early Bird Child Care	Concession Stand	Enterprise Funds (See Exhibit D-3)
Cash Flows from Operating Activities			
Cash Received from User Charges	\$ 141,554	\$ 154,311	\$ 295,865
Cash payments for other operating expenses	(97,460)	(148,053)	(245,513)
Net Cash Provided by (Used for) Operating Activities	<u>44,094</u>	<u>6,258</u>	<u>50,352</u>
Net Increase in Cash and Cash Equivalents	44,094	6,258	50,352
Cash and Cash Equivalents at Beginning of Year	<u>771,317</u>	<u>4,511</u>	<u>775,828</u>
Cash and Cash Equivalents at End of Year	<u>\$ 815,411</u>	<u>\$ 10,769</u>	<u>\$ 826,180</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities			
Operating income (Loss)	\$ 33,695	\$ 7,622	\$ 41,317
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Change in Assets and Liabilities:			
Decrease (increase) in accounts payable	-	(1,364)	(1,364)
Decrease (increase) in due to other funds	(6)	-	(6)
Decrease (increase) in accrued liabilities	269	-	269
Decrease (increase) in unearned revenue	10,136	-	10,136
Net Cash Provided by (Used for) Operating Activities	<u>\$ 44,094</u>	<u>\$ 6,258</u>	<u>\$ 50,352</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
August 31, 2025

Exhibit H-6

	753	755	Total
	Health Insurance	Workers'	Internal Service
	Fund	Compensation	Funds (See
	Fund	Fund	Exhibit D- 1)
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,860,437	\$ 1,178,571	\$ 4,039,008
Prepaid items	-	75,753	75,753
Total current assets	<u>2,860,437</u>	<u>1,254,324</u>	<u>4,114,761</u>
Total Assets	<u><u>\$ 2,860,437</u></u>	<u><u>\$ 1,254,324</u></u>	<u><u>\$ 4,114,761</u></u>
Liabilities			
Accounts payable	\$ 276,499	\$ 10,436	\$ 286,935
Accrued liabilities	540,334	184,345	724,679
Total Liabilities	<u><u>\$ 816,833</u></u>	<u><u>\$ 194,781</u></u>	<u><u>\$ 1,011,614</u></u>
Net Position			
Unrestricted	<u>2,043,604</u>	<u>1,059,543</u>	<u>3,103,147</u>
Total Net Position	<u><u>\$ 2,043,604</u></u>	<u><u>\$ 1,059,543</u></u>	<u><u>\$ 3,103,147</u></u>

WILLIS INDEPENDENT SCHOOL DISTRICT**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****INTERNAL SERVICE FUNDS***For the Year Ended August 31, 2025**Exhibit H-7*

	753	755	Total
	Health Insurance	Workers'	Internal Service
	Fund	Fund	Funds (See
			Exhibit D- 2)
Operating Revenues			
Contributions from employer	\$ 7,536,791	\$ 174,805	\$ 7,711,596
Total Operating Revenues	<u>7,536,791</u>	<u>174,805</u>	<u>7,711,596</u>
Operating Expenses			
Professional and contracted services	50,072	-	50,072
Supplies and materials	15	-	15
Claims expense, net of provision adjustments	8,544,094	174,805	8,718,899
Total Operating Expenses	<u>8,594,181</u>	<u>174,805</u>	<u>8,768,986</u>
Operating income (loss)	(1,057,390)	-	(1,057,390)
Nonoperating Revenues (Expenses)			
Transfers in	750,000	-	750,000
Total Nonoperating Revenues (Expenses)	<u>750,000</u>	<u>-</u>	<u>750,000</u>
Change in net position	(307,390)	-	(307,390)
Net Position - Beginning	<u>2,350,994</u>	<u>1,059,543</u>	<u>3,410,537</u>
Net Position - Ending	<u>\$ 2,043,604</u>	<u>\$ 1,059,543</u>	<u>\$ 3,103,147</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended August 31, 2025

Exhibit H-8

	753	755	Total
	Health Insurance	Workers'	Internal Service
	Fund	Compensation	Funds (See
	Fund	Fund	Exhibit D- 3)
Cash Flows from Operating Activities			
Cash received from user charges	\$ 7,536,791	\$ 174,805	\$ 7,711,596
Cash payments for insurance claims	(8,549,654)	(246,414)	(8,796,068)
Cash payments for other operating expenses	(67,573)	(1,896)	(69,469)
Net Cash Provided by (Used for) Operating Activities	<u>(1,080,436)</u>	<u>(73,505)</u>	<u>(1,153,941)</u>
Cash Flows from Noncapital Financing Activities			
Transfers in	750,000	-	750,000
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>750,000</u>	<u>-</u>	<u>750,000</u>
Net increase (decrease) in cash and cash equivalents	(330,436)	(73,505)	(403,941)
Cash and Cash Equivalents at the Beginning of the Year	3,190,873	1,252,076	4,442,949
Cash and Cash Equivalents at the End of the Year	<u>\$ 2,860,437</u>	<u>\$ 1,178,571</u>	<u>\$ 4,039,008</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ (1,057,390)	\$ -	\$ (1,057,390)
Effect of increases and decreases in current assets and liabilities:			
(Increase) decrease in prepaids	-	(2,913)	(2,913)
Increase (decrease) in accounts payable	(17,486)	1,017	(16,469)
Increase (decrease) in accrued liabilities	(5,560)	(71,609)	(77,169)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (1,080,436)</u>	<u>\$ (73,505)</u>	<u>\$ (1,153,941)</u>



REQUIRED TEA SCHEDULES

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2025

Exhibit J-1
Page 1 of 2

Last Ten Fiscal Years	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/2024	20 Current Year's Total Levy
	1 Maintenance	2 Debt Service			
2016 and prior	Various	Various	Various	\$ 297,193	\$ -
2017	\$ 1.040000	\$ 0.350000	\$ 3,045,105,911	67,101	-
2018	1.040000	0.350000	3,326,908,645	86,209	-
2019	1.040000	0.320000	3,549,280,648	112,607	-
2020	0.970000	0.300000	3,865,101,417	149,587	-
2021	0.917100	0.300000	4,115,866,527	188,211	-
2022	0.872000	0.300000	5,106,990,158	279,890	-
2023	0.854600	0.300000	6,145,664,299	522,855	-
2024	0.669200	0.331000	5,991,633,873	903,833	-
2025	0.666900	0.368000	6,759,003,655	-	69,948,929
1000 Totals				<u>\$ 2,607,486</u>	<u>\$ 69,948,929</u>

8000 Taxes Refunded

9000 Tax Increment

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2025

Exhibit J-1
Page 2 of 2

	31	32	40	50	99
Last Ten Fiscal Years	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/2025	Total Taxes Refunded Under Section 26.1115(c)
2016 and prior	\$ 83,745	\$ 21,786	\$ (31,306)	\$ 160,356	
2017	2,828	952	(3,346)	59,975	
2018	4,587	1,544	(4,193)	75,885	
2019	12,144	3,737	(4,598)	92,128	
2020	20,129	6,225	(4,204)	119,029	
2021	27,603	9,029	3,862	155,441	
2022	91,309	31,414	49,993	207,160	
2023	72,363	25,402	(26,851)	398,239	
2024	339,899	168,121	273,509	669,322	
2025	<u>44,163,747</u>	<u>24,369,859</u>	-	<u>1,415,323</u>	
1000 Totals	<u>\$ 44,818,354</u>	<u>\$ 24,638,069</u>	<u>\$ 252,866</u>	<u>3,352,858</u>	
				<u>1,406,023</u>	
				<u>\$ 4,758,881</u>	
8000 Taxes Refunded					<u>\$ 63,598</u>
9000 Tax Increment	<u>\$ -</u>				

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
For the Year Ended August 31, 2025

Exhibit J-2

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating Revenues				
Local revenues	\$ 1,803,253	\$ 1,903,253	\$ 1,908,679	\$ 5,426
State program revenues	25,000	145,000	167,814	22,814
Federal program revenues	5,044,500	5,174,500	5,152,312	(22,188)
Total Operating Revenues	<u>6,872,753</u>	<u>7,222,753</u>	<u>7,228,805</u>	<u>6,052</u>
Operating Expenses				
Food services	6,872,753	7,222,753	7,034,433	188,320
Total Operating Expenses	<u>6,872,753</u>	<u>7,222,753</u>	<u>7,034,433</u>	<u>188,320</u>
Net change in fund balances	-	-	194,372	194,372
Net Position - September 1 (Beginning)	<u>2,162,139</u>	<u>2,162,139</u>	<u>2,162,139</u>	-
Net Position - August 31 (Ending)	<u>\$ 2,162,139</u>	<u>\$ 2,162,139</u>	<u>\$ 2,356,511</u>	<u>\$ 194,372</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
For the Year Ended August 31, 2025

Exhibit J-3

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Local revenues	\$ 23,766,423	\$ 25,075,533	\$ 25,461,610	\$ 386,077
State program revenues	2,481,961	2,596,355	2,596,355	-
Total Revenues	<u>26,248,384</u>	<u>27,671,888</u>	<u>28,057,965</u>	<u>386,077</u>
Expenditures				
Debt Service:				
Principal on long-term debt	10,694,956	13,072,129	12,765,000	307,129
Interest on long-term debt	14,599,758	14,599,758	14,599,758	-
Bond issuance costs and fees	953,670	953,670	953,670	-
Total Expenditures	<u>26,248,384</u>	<u>28,625,557</u>	<u>28,318,428</u>	<u>307,129</u>
Excess (deficiency) of revenues over expenditures	-	(953,669)	(260,463)	693,206
Other Financing Sources (Uses):				
Premium or discount on issuance of bonds	-	-	957,625	957,625
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>957,625</u>	<u>957,625</u>
Net change in fund balances	-	(953,669)	697,162	1,650,831
Fund Balances - Beginning	<u>9,651,089</u>	<u>9,651,089</u>	<u>9,651,089</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 9,651,089</u>	<u>\$ 8,697,420</u>	<u>\$ 10,348,251</u>	<u>\$ 1,650,831</u>

WILLIS INDEPENDENT SCHOOL DISTRICT
COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM
COMPLIANCE RESPONSES
For the Year Ended August 31, 2025

Exhibit J-4

<u>Data Codes</u>	<u>Section A: Compensatory Education Programs</u>	<u>Responses</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.	\$ 8,135,844
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 5,588,087
<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.	\$ 918,145
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	\$ 571,280

WILLIS INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
For the Year Ended August 31, 2025

Schedule L-1

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.	\$ -0-

NOTE: This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).



FEDERAL AWARDS SECTION



**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***

To the Board of Trustees
Willis Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Willis Independent School District (the “District”), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise District’s basic financial statements, and have issued our report thereon dated January 14, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) 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 the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

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

To the Board of Trustees
Willis Independent School District

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
January 14, 2026

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees
Willis Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited of Willis Independent School District’s (the “District”) 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 the District’s major federal programs for the year ended August 31, 2025. The 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, the District’s 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 the 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 the 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 the 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 the 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 the 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 the 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 the 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 the 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.

To the Board of Trustees
Willis Independent School District

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.

Whitley Penn LLP

Houston, Texas
January 14, 2026



WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2025

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
U.S. Department of Education <i>Special Education Cluster</i>	84.027, 84.173
U.S. Department of Agriculture <i>Child Nutrition Cluster</i>	10.553, 10.555
Dollar Threshold Considered Between Type A and Type B Federal Programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2025

II. Financial Statement Findings

None Reported.

III. Federal Awards Findings and Questioned Costs

None Reported.

WILLIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2025

Exhibit K-1

Federal Grantor/ Pass- Through Grantor/ Program Title	Federal Assistance Listing Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
<i>Passed Through Texas Education Agency:</i>			
ESEA Title I, Part A, Improving Basic Programs	84.010A	25610101170904	\$ 1,307,261
ESEA Title I, Part A, Improving Basic Programs	84.010A	26610101170904	114,973
2024-2025 SFI PART B2 K-5 MATH	84.010A	24610171170904	188,981
2024-2026 TITLE I, 1003 ESF FOCUSED SUPPORT GRANT	84.010A	25610139170904	26,888
2024-2025 INSTRUCTIONAL LEADERSHIP GRANT	84.010A	25610105170904	42,630
Total ALN 84.010			1,680,733
Perkins V: Strengthening CTE for 21st Century	84.048A	25420006170904	85,931
Perkins V: Strengthening CTE for 21st Century	84.048A	26420006170904	1,616
Total ALN 84.048			87,547
Title III, Part A, ELA	84.365A	25671001170904	135,989
Title III, Part A, ELA	84.365A	26671001170904	12,222
Total ALN 84.365			148,211
ESEA Title II, Part A, Supporting Effective Instruction	84.367A	24694501170904	41,640
ESEA Title II, Part A, Supporting Effective Instruction	84.367A	25694501170904	239,514
ESEA Title II, Part A, Supporting Effective Instruction	84.367A	26694501170904	26,336
Total ALN 84.367			307,490
Summer School/LEP	84.369A	69552402	5,454
Title IV, Part A, Subpart 1	84.424A	24680101170904	1,491
Title IV, Part A, Subpart 1	84.424A	25680101170904	115,990
Title IV, Part A, Subpart 1	84.424A	26680101170904	87
Total ALN 84.424			117,568
American Rescue Plan (ARP), Elementary Secondary School Emergency Relief Fund (ESSER) III Grant (COVID-19)	84.425U	21528001170904	1,387,943
IDEA-B, Formula	84.027A	256600011709046000	1,571,311
IDEA-B, Formula	84.027A	266600011709046000	122,705
High Cost Funds Grant	84.027A	66002506	5,641
IDEA-B, Preschool	84.173A	256610011709046000	25,211
Total Special Education Cluster (ALN 84.027, 84.173)			1,724,868
Total U.S. Department of Education			5,459,814
U.S. Department of Agriculture			
<i>Passed Through Texas Education Agency</i>			
School Breakfast Program	10.553	71402501	1,354,627
School Breakfast Program - SSO	10.553	71402501	8,213
National School Lunch Program	10.555	71302501	3,324,621
National School Lunch Program - SSO	10.555	71302501	20,798
<i>Passed Through Texas Department of Agriculture:</i>			
USDA Commodities	10.555	NT4XL1YGLGC5	357,162
Total Child Nutrition Cluster (ALN 10.553, 10.555)			5,065,421
Local Food for Schools (LFS) 2024 (Round 1)	10.185	NT4XL1YGLGC5	82,951
Commodity Delivery Fee Reimbursement	10.568	NT4XL1YGLGC5	3,940
Total Food Distribution Cluster (ALN 10.568)			3,940
Total U.S. Department of Agriculture			5,152,312
U.S. Department of Health and Human Services			
<i>Passed Through Texas Education Agency:</i>			
Medicaid Administrative Claiming Program (MAC)	93.778	HHS001114100001	26,651
Total Medicaid Cluster (ALN 93.778)			26,651
Total U.S. Department of Health and Human Services			26,651
Total Expenditures of Federal Awards			\$ 10,638,777

Note 1 - Summary of Significant Accounting Policies

The District accounts for all awards under federal programs in the General and Special Revenue Funds in accordance with the Texas Education Agency's Financial Accountability System Resource Guide. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting. Such 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. The District has not elected to use the 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

All federal grants are subject to review by the grantor agencies. Any expenditures identified by the grantor agencies as disallowed could require reimbursement to the grantor agency from the District's general fund.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2025. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation of Basic Financial Statements

The following is a reconciliation of expenditures of federal awards per Exhibit K-1 and expenditures reports on Exhibit C-2:

Total Expenditures of Federal Awards Per Exhibit K- 1	\$ 10,638,777
General Fund - Federal Revenue:	
School Health and Related Services	453,274
JROTC	484,893
Total Federal Revenues Per Exhibit C-2	<u><u>\$ 11,576,944</u></u>

Note 4 - General Fund Expenditures

Federal awards reported in the general fund are submitted as follows:

Federal Revenue Accounted for in General Fund:	
Medicaid SHARS	\$ 453,274
JROTC	484,893
Indirect Costs:	
American Rescue Plan (ARP), Elementary Secondary	
School Emergency Relief Fund (ESSER) III Grant (COVID-19)	<u>153,702</u>
Total Indirect Costs	<u>153,702</u>
Total Federal Revenue - Exhibit C-2	<u><u>\$ 1,091,869</u></u>

WILLIS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2025

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None Reported

WILLIS INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2025

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

I. Corrective Action Plan

Not Applicable.

