

Ferris Independent School District

Annual Financial Report

For the Year Ended June 30, 2025

Ferris Independent School District
Annual Financial Report
For The Year Ended June 30, 2025

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Introductory Section

CERTIFICATE OF BOARD

Ferris Independent School District
Name of School District

Ellis
County

070-905
Co. Dist. Number

We, the undersigned, certify that the attached financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended June 30, 2025, at a meeting of the board of trustees of such school district on the 20th day of January, 2026



Signature of Board Secretary



Signature of Board President

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

Financial Section



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Ferris Independent School District
PO Box 459
Ferris, Texas 75125

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ferris Independent School District ("the District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Ferris Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements 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 Ferris Independent School District as of June 30, 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, 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 Ferris Independent School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note A to the financial statements, in Fiscal Year 2025, Ferris Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 Ferris Independent School 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ferris Independent School District's basic financial statements. The accompanying financial information listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles; and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements. 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section 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 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 19, 2026, on our consideration of Ferris Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ferris Independent School 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 Ferris Independent School District's internal control over financial reporting and compliance.

Snow Garrett Williams

Snow Garrett Williams
January 19, 2026

Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent period by \$24,815,376 (*net position*). Of this amount, a negative \$7,411,739 is unrestricted net position.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,912,131. Approximately 51% of this total amount, \$7,126,722, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,126,722, or 17% of the total general fund expenditures.

Overview of the Financial Statements

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

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 business.

The *statement of net position* presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no component units for which it is financially accountable. The government-wide financial statements can be found on pages 15-16 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

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 spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds 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 impact of the government'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 adopts an annual appropriated budget for its general fund and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 17-20 of this report.
- **Proprietary funds.** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District accounts for its food and beverage service programs in an enterprise fund which operates similarly to a private business. The second type of proprietary fund is the internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the internal service fund to report activities for its workers' compensation insurance program. The basic proprietary fund financial statements can be found on pages 21-23 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position that can be found on pages 24-25.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 54-59 of this report.

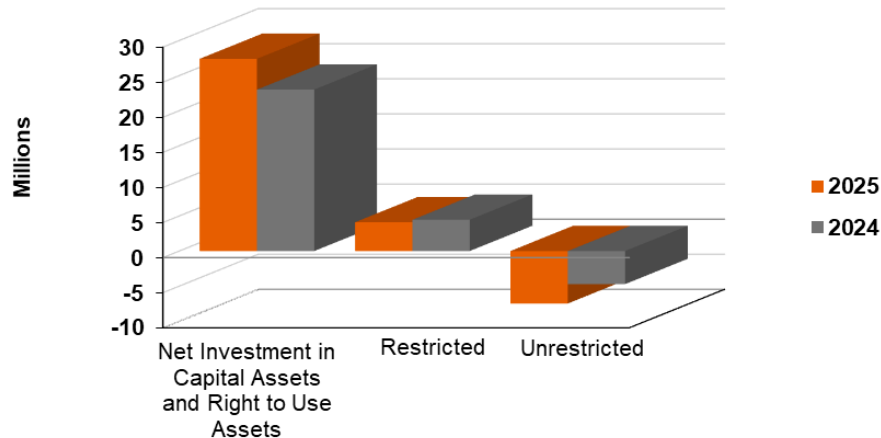
Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets and deferred outflows exceeded liabilities and deferred inflows by \$24,011,973 as of June 30, 2025.

The District's Net Position-Governmental Activities

| | June 30, 2025 | June 30, 2024 |
|---------------------------------------|----------------------|----------------------|
| Current assets | \$ 19,040,626 | \$ 21,377,494 |
| Capital assets | 52,676,670 | 51,995,012 |
| Total assets | <u>71,717,296</u> | <u>73,372,506</u> |
| Deferred outflows of resources | | |
| Deferred outflows related to pensions | 4,294,146 | 6,203,141 |
| Deferred outflows related to OPEB | 5,249,661 | 3,604,439 |
| Total deferred outflows of resources | <u>9,543,807</u> | <u>9,807,580</u> |
| Current liabilities | 4,802,299 | 3,840,608 |
| Long-term liabilities outstanding | 44,925,951 | 46,992,963 |
| Total liabilities | <u>49,728,250</u> | <u>50,833,571</u> |
| Deferred inflows of resources | | |
| Deferred gain on refunding | 493,714 | 722,685 |
| Deferred inflows related to pensions | 178,903 | 520,318 |
| Deferred inflows related to OPEB | 6,848,263 | 8,352,942 |
| Total deferred inflows of resources | <u>7,520,880</u> | <u>9,595,945</u> |
| Net position: | | |
| Net investment in capital assets | 27,385,373 | 23,004,174 |
| Restricted | 4,103,686 | 4,454,953 |
| Unrestricted | (7,477,086) | (4,708,557) |
| Total net position | <u>\$ 24,011,973</u> | <u>\$ 22,750,570</u> |

Net Position - Governmental Activities as of 6/30/2025



Net investment in capital assets (e.g., land, buildings, furniture and equipment, and right to use assets) is \$27,385,373. 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. An additional portion of the District's net position (\$4,103,686) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a negative \$7,477,086. This deficit is not an indication that the District has insignificant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are in excess of currently available resources.

The District's Net Position - Business-Type Activities

| | June 30, 2025 | June 30, 2024 |
|---------------------------------------|---------------|---------------|
| Current assets | \$ 921,917 | \$ 1,304,448 |
| Capital assets | 500,126 | 67,569 |
| Total assets | 1,422,043 | 1,372,017 |
| | | |
| Deferred outflows of resources | | |
| Deferred outflows related to pensions | 91,567 | 168,234 |
| Deferred outflows related to OPEB | 140,492 | 98,727 |
| Total deferred outflows of resources | 232,059 | 266,961 |
| | | |
| Current liabilities | 106,763 | 99,956 |
| Long-term liabilities outstanding | 513,359 | 475,024 |
| Total liabilities | 620,122 | 574,980 |
| | | |
| Deferred inflows of resources | | |
| Deferred inflows related to pensions | 34,868 | 48,580 |
| Deferred inflows related to OPEB | 195,709 | 233,906 |
| Total deferred inflows of resources | 230,577 | 282,486 |
| | | |
| Net position | | |
| Net investment in capital assets | 500,126 | 67,569 |
| Restricted | 237,930 | 648,596 |
| Unrestricted | 65,347 | 65,347 |
| Total net position | \$ 803,403 | \$ 781,512 |

The above surplus in business-type activities unrestricted net position is not an indication the District has significant assets that are available to meet financial obligations next year, but rather the result of having currently available resources that exceed commitments

Governmental activities. The District's total governmental activities net position increased \$1,462,753 during the current year. The total cost of all *governmental activities* this year was \$42,533,609. The amount that our taxpayers paid for these activities through property taxes was \$11,728,917 or 28%. During the year, the District determined that a prior year debt defeasance was not properly recorded. As a result, beginning net position of governmental activities decreased by \$201,350. Additional details are provided in Note N on page 52 of this report.

Changes in the District's Net Position - Governmental Activities

| | <u>Fiscal Year June 30, 2025</u> | <u>Fiscal Year June 30, 2024</u> |
|---|--------------------------------------|--------------------------------------|
| Revenues: | | |
| Program revenues | | |
| Charges for services | \$ 346,145 | \$ 265,073 |
| Operating grants and contributions | 3,256,642 | 6,240,516 |
| General revenues | | |
| Property taxes | 11,728,917 | 10,375,727 |
| State grants | 27,739,111 | 26,262,069 |
| Other | 925,547 | 1,007,571 |
| Total revenues | <u>43,996,362</u> | <u>44,150,956</u> |
| Expenses: | | |
| Instruction | 23,397,499 | 24,097,547 |
| Instructional resources and media services | 318,576 | 315,040 |
| Curriculum and staff development | 1,861,400 | 2,717,645 |
| Instructional leadership | 877,014 | 918,534 |
| School leadership | 1,940,891 | 1,891,195 |
| Guidance, counseling & evaluation services | 1,969,075 | 1,783,276 |
| Health services | 411,325 | 397,716 |
| Student transportation | 1,116,947 | 941,278 |
| Food service | 2,952 | - |
| Cocurricular/extracurricular activities | 1,827,112 | 1,606,452 |
| General administration | 1,650,742 | 1,436,194 |
| Facilities maintenance and operations | 3,801,595 | 3,533,601 |
| Security and monitoring services | 1,377,115 | 934,374 |
| Data processing | 1,039,001 | 693,914 |
| Community services | 95,596 | 52,297 |
| Interest on long-term debt | 727,485 | 821,885 |
| Bond issuance costs and fees | 13,694 | 2,680 |
| Capital outlay | 2,775 | - |
| Payments to juvenile justice alternative ed. programs | - | 5,405 |
| Other intergovernmental charges | 102,815 | 88,705 |
| Total expenses | <u>42,533,609</u> | <u>42,237,738</u> |
| Increase (decrease) in net position | 1,462,753 | 1,913,218 |
| Beginning net position | 22,750,570 | 20,837,352 |
| Prior period adjustment | (201,350) | - |
| Beginning net position, as restated | <u>22,549,220</u> | <u>20,837,352</u> |
| Ending net position | <u>\$ 24,011,973</u> | <u>\$ 22,750,570</u> |

Business-type activities. The District's total business-type activities' net position increased \$21,891 during the current year. The total cost of all business-type activities this year was \$2,667,034.

Changes in the District's Net Position - Business-Type Activities

| | <u>Fiscal Year</u> <u>June 30, 2025</u> | <u>Fiscal Year</u> <u>June 30, 2024</u> |
|---|--|--|
| Revenues: | | |
| Program revenues | | |
| Charges for services | \$ 140,682 | \$ 146,411 |
| Operating grants and contributions | 2,530,902 | 2,493,261 |
| General revenues | | |
| Other | <u>17,341</u> | <u>37,625</u> |
| Total revenues | <u>2,688,925</u> | <u>2,677,297</u> |
| Expenses: | | |
| Food services | 2,667,034 | 2,612,680 |
| Enterprising activities | <u>-</u> | <u>1,820</u> |
| Total expenses | <u>2,667,034</u> | <u>2,614,500</u> |
| Increase (decrease) in net position | 21,891 | 62,797 |
| Beginning net position | <u>781,512</u> | <u>718,715</u> |
| Ending net position | <u>\$ 803,403</u> | <u>\$ 781,512</u> |

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,912,131 a decrease of \$2,316,817. Approximately 51% of this total amount, or \$7,126,722, constitutes *unassigned fund balance*. Nonspendable fund balance exists for inventories (\$12,384). The remainder of the fund balance is *restricted or assigned* to indicate that it is not available for new spending and has already been *restricted* to pay (1) for retirement of long-term debt (\$3,886,821) and (2) capital acquisitions and contractual obligations (\$56,544) and *assigned* for (1) improvements (\$2,601,000) and for (2) campus activity (\$228,660).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,126,722, out of a total fund balance of \$9,740,106. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 17% of the total general fund expenditures. Total general fund balance represents 24% of the total general fund expenditures.

The debt service fund has a total fund balance of \$3,886,821, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$327,097. Additionally, the District identified a prior year defeasance that was not properly recorded which resulted in a decrease of \$550,234 to beginning fund balance. Additional information on this adjustment can be found in Note N on page 52 of this report.

Proprietary Funds. As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Food Service Programs. Net position for the enterprise funds at June 30, 2025 amounted to \$803,403, an increase of \$21,891 from the prior year. The enterprise funds consist of the National Breakfast/Lunch Program and Beverage Services.

Internal Service Funds. Total net position for the internal service funds at June 30, 2025 amounted to \$1,370, a decrease of \$233,151 over the prior year. The internal service funds consist of the workers' compensation insurance program.

General Fund Budgetary Highlights

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were higher than budgeted by \$1,290,586, primarily related to an increase in state program revenues; and
- Actual expenditures were lower than budgeted by \$2,791,898, primarily due to decreases within the instruction, long-term debt principal, and student transportation expenditure categories.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to \$53,176,796 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, and right to use assets.

Major capital asset events during the year included HVAC improvements, security upgrades and the purchase of chromebooks and two Tahoes.

District's Capital Assets (Net of Depreciation/Amortization)

| | June 30, 2025 | June 30, 2024 |
|----------------------------|---------------|---------------|
| Land | \$ 618,939 | \$ 618,939 |
| Construction in progress | 2,237,101 | - |
| Buildings and improvements | 47,420,628 | 49,071,822 |
| Furniture and equipment | 2,852,988 | 2,268,459 |
| Right to use assets | 47,140 | 103,361 |
| Total at historical cost | \$ 53,176,796 | \$ 52,062,581 |

Additional information on the District's capital assets can be found in Note D on pages 35 - 36 of this report.

Long-term Debt. As of June 30, 2025, the District’s governmental activities had total long-term debt outstanding of \$44.9 million. This is a decrease of \$1.7 million (3.7%) from the prior year, primarily due to scheduled principal payments offset by an increase in net OPEB liability. Long-term debt for the District’s business-type activities totaled \$513,359 an increase of \$38,335 (8.1%) from the prior year, due to changes in the District’s net pension and OPEB liabilities.

| | June 30 | June 30 | |
|----------------------------------|----------------------|----------------------|-----------------------|
| | 2025 | 2024 | Change |
| Governmental Activities: | | | |
| General Obligation Bonds | \$ 21,367,628 | \$ 24,732,628 | \$ (3,365,000) |
| Notes | 403,000 | 466,000 | (63,000) |
| Notes from Direct Borrowings | 103,334 | 202,592 | (99,258) |
| Premium on Bonds | 928,953 | 1,038,924 | (109,971) |
| Accum Accretion on CABs | 1,120,527 | 1,080,343 | 40,184 |
| Net Pension Liability | 12,399,007 | 12,966,733 | (567,726) |
| Net OPEB Liability | 7,812,209 | 5,403,938 | 2,408,271 |
| Lease Liability | - | 64,243 | (64,243) |
| SBITA Liability | 44,245 | 19,376 | 24,869 |
| Compensated Absences | 747,046 | 669,300 | 77,746 |
| Total governmental activities | <u>\$ 44,925,949</u> | <u>\$ 46,644,077</u> | <u>\$ (1,718,128)</u> |
| Business-type Activities: | | | |
| Net Pension Liability | \$ 304,938 | \$ 327,738 | \$ (22,800) |
| Net OPEB Liability | 208,421 | 147,286 | 61,135 |
| Total business-type activities | <u>\$ 513,359</u> | <u>\$ 475,024</u> | <u>\$ 38,335</u> |

Additional information on the District’s long-term debt can be found in Note F on pages 37 - 38 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The District’s 2025-2026 M&O tax rate is \$0.7308, which is a decrease from prior year. The District’s I&S rate is \$0.5000, which is also a decrease from the prior year.
- The District has appropriated revenues and expenditures in the 2025-2026 budgets of \$47,017,259 and \$47,017,259, respectively in its general fund.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Ferris ISD Business Office at 301 East 5th Street, Ferris, Texas 75125.



Basic Financial Statements

FERRIS INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

JUNE 30, 2025

| Data Control Codes | 1 | 2 | 3 |
|--|-------------------------|--------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS: | | | |
| 1110 | \$ 1,253,373 | \$ 66,477 | \$ 1,319,850 |
| 1120 | 10,779,785 | 821,997 | 11,601,782 |
| 1225 | 668,032 | - | 668,032 |
| 1240 | 6,325,878 | 7,064 | 6,332,942 |
| 1290 | 1,174 | - | 1,174 |
| 1300 | 12,384 | 26,379 | 38,763 |
| Capital Assets: | | | |
| 1510 | 618,939 | - | 618,939 |
| 1520 | 47,420,628 | - | 47,420,628 |
| 1530 | 2,352,862 | 500,126 | 2,852,988 |
| 1550 | 47,140 | - | 47,140 |
| 1580 | 2,237,101 | - | 2,237,101 |
| 1000 | <u>71,717,296</u> | <u>1,422,043</u> | <u>73,139,339</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| | 4,294,146 | 91,567 | 4,385,713 |
| | 5,249,661 | 140,492 | 5,390,153 |
| 1700 | <u>9,543,807</u> | <u>232,059</u> | <u>9,775,866</u> |
| LIABILITIES: | | | |
| 2110 | 1,161,395 | - | 1,161,395 |
| 2140 | 343,206 | - | 343,206 |
| 2165 | 3,032,934 | 89,768 | 3,122,702 |
| 2200 | 192,517 | 16,995 | 209,512 |
| 2300 | 72,247 | - | 72,247 |
| Noncurrent Liabilities | | | |
| 2501 | 2,408,870 | - | 2,408,870 |
| 2502 | 22,305,865 | - | 22,305,865 |
| 2540 | 12,399,007 | 304,938 | 12,703,945 |
| 2545 | 7,812,209 | 208,421 | 8,020,630 |
| 2000 | <u>49,728,250</u> | <u>620,122</u> | <u>50,348,372</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| | 493,714 | - | 493,714 |
| | 178,903 | 34,868 | 213,771 |
| | 6,848,263 | 195,709 | 7,043,972 |
| 2600 | <u>7,520,880</u> | <u>230,577</u> | <u>7,751,457</u> |
| NET POSITION | | | |
| 3200 | 27,385,373 | 500,126 | 27,885,499 |
| Restricted For: | | | |
| 3820 | - | 237,930 | 237,930 |
| 3850 | 4,103,686 | - | 4,103,686 |
| 3900 | (7,477,086) | 65,347 | (7,411,739) |
| 3000 | <u>\$ 24,011,973</u> | <u>\$ 803,403</u> | <u>\$ 24,815,376</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2025

Exhibit B-1

| Data Control Codes | Functions/Programs | 1 | 3 | 4 | 6 | 7 | 8 | |
|--------------------------|---|----------------------|-------------------------|--|---|-----------------------------|----------------------|--|
| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
| | | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | Total | |
| | Governmental Activities: | | | | | | | |
| 11 | Instruction | \$ 23,397,499 | \$ 38,518 | \$ 1,551,109 | \$ (21,807,872) | | \$ (21,807,872) | |
| 12 | Instructional Resources and Media Services | 318,576 | 2,027 | 2,451 | (314,098) | | (314,098) | |
| 13 | Curriculum and Staff Development | 1,861,400 | 1,833 | 527,301 | (1,332,266) | | (1,332,266) | |
| 21 | Instructional Leadership | 877,014 | 1,152 | 34,637 | (841,225) | | (841,225) | |
| 23 | School Leadership | 1,940,891 | 2,693 | 15,384 | (1,922,814) | | (1,922,814) | |
| 31 | Guidance, Counseling, and Evaluation Services | 1,969,075 | 2,681 | 61,856 | (1,904,538) | | (1,904,538) | |
| 33 | Health Services | 411,325 | 532 | 29,833 | (380,960) | | (380,960) | |
| 34 | Student Transportation | 1,116,947 | 1,506 | 43,911 | (1,071,530) | | (1,071,530) | |
| 35 | Food Service | 2,952 | - | 4,080 | 1,128 | | 1,128 | |
| 36 | Cocurricular/Extracurricular Activities | 1,827,112 | 281,752 | 37,862 | (1,507,498) | | (1,507,498) | |
| 41 | General Administration | 1,650,742 | 1,881 | 73,576 | (1,575,285) | | (1,575,285) | |
| 51 | Facilities Maintenance and Operations | 3,801,595 | 8,558 | 203,025 | (3,590,012) | | (3,590,012) | |
| 52 | Security and Monitoring Services | 1,377,115 | 1,072 | 145,688 | (1,230,355) | | (1,230,355) | |
| 53 | Data Processing Services | 1,039,001 | 1,431 | 19,531 | (1,018,039) | | (1,018,039) | |
| 61 | Community Services | 95,596 | 129 | 8,042 | (87,425) | | (87,425) | |
| 72 | Interest on Long-term Debt | 727,485 | 380 | 498,356 | (228,749) | | (228,749) | |
| 73 | Bond Issuance Costs and Fees | 13,694 | - | - | (13,694) | | (13,694) | |
| 81 | Capital Outlay | 2,775 | - | - | (2,775) | | (2,775) | |
| 99 | Other Intergovernmental Charges | 102,815 | - | - | (102,815) | | (102,815) | |
| TG | Total Governmental Activities | <u>42,533,609</u> | <u>346,145</u> | <u>3,256,642</u> | <u>(38,930,822)</u> | | <u>(38,930,822)</u> | |
| | Business-type Activities: | | | | | | | |
| 05 | National School Breakfast/Lunch Program | 2,667,034 | 140,682 | 2,530,902 | - | \$ 4,550 | 4,550 | |
| 01 | Beverage Services | - | - | - | - | - | - | |
| TB | Total Business-type Activities | <u>2,667,034</u> | <u>140,682</u> | <u>2,530,902</u> | <u>-</u> | <u>4,550</u> | <u>4,550</u> | |
| TP | Total Primary Government | <u>\$ 45,200,643</u> | <u>\$ 486,827</u> | <u>\$ 5,787,544</u> | <u>(38,930,822)</u> | <u>4,550</u> | <u>(38,926,272)</u> | |
| | General Revenues: | | | | | | | |
| MT | Property Taxes, Levied for General Purposes | | | | 7,713,212 | - | 7,713,212 | |
| DT | Property Taxes, Levied for Debt Service | | | | 4,015,705 | - | 4,015,705 | |
| IE | Investment Earnings | | | | 564,868 | 6,461 | 571,329 | |
| SF | State Aid-Formula Grants | | | | 27,739,111 | - | 27,739,111 | |
| MI | Miscellaneous | | | | 360,679 | 10,880 | 371,559 | |
| TR | Total General Revenues | | | | <u>40,393,575</u> | <u>17,341</u> | <u>40,410,916</u> | |
| CN | Change in Net Position | | | | 1,462,753 | 21,891 | 1,484,644 | |
| NB | Net Position - Beginning | | | | 22,750,570 | 781,512 | 23,532,082 | |
| | Prior Period Adjustment | | | | (201,350) | - | (201,350) | |
| | Net Position - Beginning, as Restated | | | | <u>22,549,220</u> | <u>781,512</u> | <u>23,330,732</u> | |
| NE | Net Position - Ending | | | | <u>\$ 24,011,973</u> | <u>\$ 803,403</u> | <u>\$ 24,815,376</u> | |

FERRIS INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2025

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds |
|---|----------------------|-------------------------|-----------------------------|--------------------------------|
| ASSETS: | | | | |
| 1110 Cash and Cash Equivalents | \$ 690,322 | \$ 17,884 | \$ 285,015 | \$ 993,221 |
| 1120 Current Investments | 6,840,924 | 3,886,356 | 52,506 | 10,779,786 |
| 1225 Taxes Receivable | 585,595 | 268,063 | - | 853,658 |
| 1230 Allowance for Uncollectible Taxes (Credit) | (134,428) | (51,198) | - | (185,626) |
| 1240 Due from Other Governments | 5,996,626 | - | 329,252 | 6,325,878 |
| 1260 Due from Other Funds | 329,252 | 2,322 | - | 331,574 |
| 1290 Other Receivables | 985 | - | 189 | 1,174 |
| 1300 Inventories | 12,384 | - | - | 12,384 |
| 1000 Total Assets | <u>\$ 14,321,660</u> | <u>\$ 4,123,427</u> | <u>\$ 666,962</u> | <u>\$ 19,112,049</u> |
| LIABILITIES: | | | | |
| 2110 Accounts Payable | \$ 902,614 | \$ - | \$ - | \$ 902,614 |
| 2150 Payroll Deductions and Withholdings | 185,636 | - | - | 185,636 |
| 2160 Accrued Wages Payable | 2,847,298 | - | - | 2,847,298 |
| 2170 Due to Other Funds | 2,322 | - | 329,252 | 331,574 |
| 2200 Accrued Expenditures | 192,517 | - | - | 192,517 |
| 2300 Unearned Revenues | - | 19,741 | 52,506 | 72,247 |
| 2000 Total Liabilities | <u>4,130,387</u> | <u>19,741</u> | <u>381,758</u> | <u>4,531,886</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Property Taxes | 451,167 | 216,865 | - | 668,032 |
| 2600 Total Deferred Inflows of Resources | <u>451,167</u> | <u>216,865</u> | <u>-</u> | <u>668,032</u> |
| FUND BALANCES: | | | | |
| Nonspendable: | | | | |
| 3410 Inventories | 12,384 | - | - | 12,384 |
| Restricted: | | | | |
| 3470 Capital Acquisitions & Contractual Obligations | - | - | 56,544 | 56,544 |
| 3480 Retirement of Long-Term Debt | - | 3,886,821 | - | 3,886,821 |
| Committed: | | | | |
| 3545 Other - Campus Activity | - | - | 228,660 | 228,660 |
| Assigned: | | | | |
| 3590 Other - Improvements | 2,601,000 | - | - | 2,601,000 |
| 3600 Unassigned | 7,126,722 | - | - | 7,126,722 |
| 3000 Total Fund Balances | <u>9,740,106</u> | <u>3,886,821</u> | <u>285,204</u> | <u>13,912,131</u> |
| 4000 Total Liabilities and Fund Balances | <u>\$ 14,321,660</u> | <u>\$ 4,123,427</u> | <u>\$ 666,962</u> | <u>\$ 19,112,049</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2025

Exhibit C-1R

| | |
|--|----------------------|
| Total fund balances - governmental funds balance sheet | \$ 13,912,131 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 668,032 |
| Capital assets used in governmental activities are not reported in the funds. | 52,676,670 |
| The assets and liabilities of internal service funds are included in governmental activities in the SNP. | 1,370 |
| Deferred resource outflows related to the pension plan are not reported in the funds. | 4,294,146 |
| Deferred resource outflows related to the OPEB plan are not reported in the funds. | 5,249,661 |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (12,399,007) |
| Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds. | (7,812,209) |
| Deferred resource inflows related to the pension plan are not reported in the funds. | (178,903) |
| Deferred resource inflows related to the OPEB plan are not reported in the funds. | (6,848,263) |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (21,367,629) |
| Payables for financed purchases which are not due in the current period are not reported in the funds. | (103,334) |
| Payables for SBITAs which are not due in the current period are not reported in the funds. | (44,245) |
| Payables for notes which are not due in the current period are not reported in the funds. | (403,000) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (343,206) |
| The accumulated accretion of interest on capital appreciation bonds is not reported in the funds. | (1,120,528) |
| Premiums on bonds which are not due and payable in the current period are not reported in the funds. | (928,953) |
| Deferred gain on refunding bonds is not reported in the funds. | (493,714) |
| Payables for compensated absences which are not due in the current period are not reported in the funds. | (747,046) |
| Net position of governmental activities - Statement of Net Position | <u>\$ 24,011,973</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

Exhibit C-2

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds | |
|-------------------------------------|---|-------------------------|-----------------------------|--------------------------------|----------------------|
| REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 8,486,266 | \$ 4,200,284 | \$ 308,708 | \$ 12,995,258 |
| 5800 | State Program Revenues | 29,673,194 | 485,475 | 373,737 | 30,532,406 |
| 5900 | Federal Program Revenues | 175,161 | - | 1,690,548 | 1,865,709 |
| 5020 | Total Revenues | <u>38,334,621</u> | <u>4,685,759</u> | <u>2,372,993</u> | <u>45,393,373</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| 0011 | Instruction | 21,636,501 | - | 1,286,790 | 22,923,291 |
| 0012 | Instructional Resources and Media Services | 309,792 | - | 1,913 | 311,705 |
| 0013 | Curriculum and Staff Development | 1,292,142 | - | 510,856 | 1,802,998 |
| 0021 | Instructional Leadership | 812,387 | - | 37,528 | 849,915 |
| 0023 | School Leadership | 1,899,102 | - | - | 1,899,102 |
| 0031 | Guidance, Counseling, and Evaluation Services | 1,890,166 | - | 11,410 | 1,901,576 |
| 0033 | Health Services | 375,349 | - | 25,676 | 401,025 |
| 0034 | Student Transportation | 1,061,982 | - | 18,947 | 1,080,929 |
| 0036 | Cocurricular/Extracurricular Activities | 1,449,739 | - | 337,011 | 1,786,750 |
| 0041 | General Administration | 1,326,251 | - | 50,245 | 1,376,496 |
| 0051 | Facilities Maintenance and Operations | 6,033,771 | - | - | 6,033,771 |
| 0052 | Security and Monitoring Services | 1,406,920 | - | 150,000 | 1,556,920 |
| 0053 | Data Processing Services | 1,008,782 | - | - | 1,008,782 |
| 0061 | Community Services | 90,954 | - | 1,861 | 92,815 |
| Debt Service Fund Service: | | | | | |
| 0071 | Principal on Long-term Debt | 249,679 | 3,365,000 | - | 3,614,679 |
| 0072 | Interest on Long-term Debt | 18,231 | 979,968 | - | 998,199 |
| 0073 | Bond Issuance Costs and Fees | - | 13,694 | - | 13,694 |
| 0081 | Facilities Acquisition and Construction | - | - | 2,775 | 2,775 |
| Intergovernmental: | | | | | |
| 0099 | Other Intergovernmental Charges | 102,815 | - | - | 102,815 |
| 6030 | Total Expenditures | <u>40,964,563</u> | <u>4,358,662</u> | <u>2,435,012</u> | <u>47,758,237</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | <u>(2,629,942)</u> | <u>327,097</u> | <u>(62,019)</u> | <u>(2,364,864)</u> |
| Other Financing Sources and (Uses): | | | | | |
| 7949 | Issuance of Right-to-Use SBITAs | 48,047 | - | - | 48,047 |
| 7080 | Total Other Financing Sources and (Uses) | <u>48,047</u> | <u>-</u> | <u>-</u> | <u>48,047</u> |
| 1200 | Net Change in Fund Balances | <u>(2,581,895)</u> | <u>327,097</u> | <u>(62,019)</u> | <u>(2,316,817)</u> |
| 0100 | Fund Balances - Beginning | 12,322,001 | 4,109,958 | 347,223 | 16,779,182 |
| 1300 | Prior Period Adjustment | - | (550,234) | - | (550,234) |
| 0100 | Fund Balances - Beginning, as restated | 12,322,001 | 3,559,724 | 347,223 | 16,228,948 |
| 3000 | Fund Balances - Ending | <u>\$ 9,740,106</u> | <u>\$ 3,886,821</u> | <u>\$ 285,204</u> | <u>\$ 13,912,131</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT**Exhibit C-3**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

| | |
|--|---------------------|
| Net change in fund balances - total governmental funds | \$ (2,316,817) |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | (170,311) |
| Capital outlays are not reported as expenses in the SOA. | 2,926,439 |
| The depreciation / amortization of capital assets used in governmental activities is not reported in the funds. | (2,244,781) |
| GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These pension contributions made after the measurement date of the plan increased ending net position. | 946,652 |
| Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to net pension liability. | (943,229) |
| Changes in the net pension liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The net effect of the change is a decrease in net position. | (1,003,277) |
| GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These OPEB contributions made after the measurement date of the plan increased net position. | 194,660 |
| OPEB contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability. | (193,004) |
| Changes in the net OPEB liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The net effect of the change is an increase in net position. | 739,973 |
| The net revenue (expense) of internal service funds is reported with governmental activities. | (233,151) |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 3,365,000 |
| Repayment of note principal is an expenditure in the funds but is not an expense in the SOA. | 63,000 |
| Repayment of lease principal is an expenditure in the funds but is not an expense in the SOA. | 64,243 |
| Repayment of financed purchase is an expenditure in the funds but is not an expense in the SOA. | 99,258 |
| Repayment of SBITA principal is an expenditure in the funds but is not an expense in the SOA. | 23,178 |
| Changes in accrued interest on bonds from beginning of period to end of period. | (28,045) |
| Premiums on bonds are amortized in the SOA but not in the funds. | 109,971 |
| Deferred gain on refunding bonds is amortized in the SOA but not in the funds. | 228,971 |
| The accretion of interest on capital appreciation bonds is not reported in the funds. | (40,184) |
| Proceeds of SBITAs do not provide revenue in the SOA, but are reported as other financing sources in the funds. | (48,047) |
| Changes in compensated absence liabilities are reported in the SOA but not in the funds. | (77,746) |
| Change in net position of governmental activities - Statement of Activities | <u>\$ 1,462,753</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2025

| Data Control Codes | | Enterprise Fund | Nonmajor Enterprise Fund | Total | Nonmajor Internal Service Fund |
|---------------------------------------|---|--|--------------------------------|---------------------|--------------------------------------|
| | | National Breakfast/Lunch Program | Beverage Services | Enterprise Funds | Workers Compensation |
| ASSETS: | | | | | |
| Current Assets: | | | | | |
| 1100 | Cash and Cash Equivalents | \$ 1,130 | \$ 65,347 | \$ 66,477 | \$ 260,151 |
| 1120 | Investments | 821,997 | - | 821,997 | - |
| 1240 | Due from Other Governments | 7,064 | - | 7,064 | - |
| 1310 | Inventories, at Cost | 26,379 | - | 26,379 | - |
| | Total Current Assets | <u>856,570</u> | <u>65,347</u> | <u>921,917</u> | <u>260,151</u> |
| Capital Assets: | | | | | |
| 1530 | Furniture and Equipment | 780,403 | - | 780,403 | - |
| 1570 | Accumulated Depreciation | (280,277) | - | (280,277) | - |
| 1000 | Total Assets | <u>1,356,696</u> | <u>65,347</u> | <u>1,422,043</u> | <u>260,151</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| | Deferred Outflow Related to Pensions | 91,567 | - | 91,567 | - |
| | Deferred Outflow Related to OPEB | 140,492 | - | 140,492 | - |
| 1700 | Total Deferred Outflows of Resources | <u>232,059</u> | <u>-</u> | <u>232,059</u> | <u>-</u> |
| LIABILITIES: | | | | | |
| Current Liabilities: | | | | | |
| 2110 | Accounts Payable | - | - | - | 258,781 |
| 2160 | Accrued Wages Payable | 89,768 | - | 89,768 | - |
| 2200 | Accrued Expenditures | 16,995 | - | 16,995 | - |
| | Total Current Liabilities | <u>106,763</u> | <u>-</u> | <u>106,763</u> | <u>258,781</u> |
| Noncurrent Liabilities: | | | | | |
| 2540 | Net Pension Liability | 304,938 | - | 304,938 | - |
| 2545 | Net OPEB Liability | 208,421 | - | 208,421 | - |
| 2000 | Total Liabilities | <u>620,122</u> | <u>-</u> | <u>620,122</u> | <u>258,781</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| | Deferred Inflow Related to Pensions | 34,868 | - | 34,868 | - |
| | Deferred Inflow Related to OPEB | 195,709 | - | 195,709 | - |
| 2600 | Total Deferred Inflows of Resources | <u>230,577</u> | <u>-</u> | <u>230,577</u> | <u>-</u> |
| NET POSITION: | | | | | |
| 3200 | Net Investment in Capital Assets | 500,126 | - | 500,126 | - |
| 3800 | Restricted for State and Federal Programs | 237,930 | - | 237,930 | - |
| 3900 | Unrestricted | - | 65,347 | 65,347 | 1,370 |
| 3000 | Total Net Position | <u>\$ 738,056</u> | <u>\$ 65,347</u> | <u>\$ 803,403</u> | <u>\$ 1,370</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

Exhibit D-2

| Data Control Codes | | Enterprise Fund | Nonmajor Enterprise Fund | Total Enterprise Funds | Nonmajor Internal Service Fund |
|---|---|--|--------------------------------|------------------------------|--------------------------------------|
| | | National Breakfast/Lunch Program | Beverage Services | | Workers Compensation |
| OPERATING REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 158,023 | \$ - | \$ 158,023 | \$ 503 |
| 5800 | State Program Revenues | 9,411 | - | 9,411 | - |
| 5900 | Federal Program Revenues | 114,333 | - | 114,333 | - |
| 5020 | Total Revenues | <u>281,767</u> | <u>-</u> | <u>281,767</u> | <u>503</u> |
| OPERATING EXPENSES: | | | | | |
| 6100 | Payroll Costs | 1,039,866 | - | 1,039,866 | 233,654 |
| 6200 | Professional and Contracted Services | 78,791 | - | 78,791 | - |
| 6300 | Supplies and Materials | 1,498,595 | - | 1,498,595 | - |
| 6400 | Other Operating Costs | 49,782 | - | 49,782 | - |
| 6030 | Total Expenses | <u>2,667,034</u> | <u>-</u> | <u>2,667,034</u> | <u>233,654</u> |
| | Operating Income (Loss) | (2,385,267) | - | (2,385,267) | (233,151) |
| NON-OPERATING REVENUES (EXPENSES): | | | | | |
| 7952 | National School Breakfast Program | 554,676 | - | 554,676 | - |
| 7953 | National School Lunch Program | 1,697,075 | - | 1,697,075 | - |
| 7954 | USDA Donated Commodities | 155,407 | - | 155,407 | - |
| 8030 | Total Non-operating Revenues (Expenses) | <u>2,407,158</u> | <u>-</u> | <u>2,407,158</u> | <u>-</u> |
| 1300 | Change in Net Position | 21,891 | - | 21,891 | (233,151) |
| 0100 | Total Net Position - Beginning | 716,165 | 65,347 | 781,512 | 234,521 |
| 3300 | Total Net Position - Ending | <u>\$ 738,056</u> | <u>\$ 65,347</u> | <u>\$ 803,403</u> | <u>\$ 1,370</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT

Exhibit D-3

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

| | Enterprise Fund | Nonmajor Enterprise Fund | Total Enterprise Funds | Nonmajor Internal Service Fund |
|---|--|--------------------------------|------------------------------|--------------------------------------|
| | National Breakfast/Lunch Program | Beverage Services | | Workers Compensation |
| Cash Flows from Operating Activities | | | | |
| Cash Received from Customers | \$ 167,432 | \$ - | \$ 167,432 | \$ 83,669 |
| Cash Received from federal programs | 114,335 | - | 114,335 | |
| Cash Receipts (Payments) from Quasi-external | - | - | - | - |
| Cash Payments to Employees for Services | (1,033,059) | - | (1,033,059) | (250,063) |
| Cash Payments to Other Suppliers for Goods and Services | (1,591,069) | - | (1,591,069) | - |
| Net Cash Provided (Used) by Operating Activities | <u>(2,342,361)</u> | <u>-</u> | <u>(2,342,361)</u> | <u>(166,394)</u> |
| Cash Flows from Non-capital Financing Activities | | | | |
| Cash Received from Grants | 2,418,685 | - | 2,418,685 | - |
| Increase (Decrease) in Amounts Due to Other Funds | (2,062,010) | - | (2,062,010) | - |
| Increase (Decrease) in Pension and OPEB Obligations | 21,328 | - | 21,328 | - |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>378,003</u> | <u>-</u> | <u>21,328</u> | <u>-</u> |
| Cash Flows from Investing Activities | | | | |
| Investment (Purchases) Sales | 2,432,221 | - | 2,432,221 | - |
| Net Cash (Provided) Used by Investing Activities | <u>2,432,221</u> | <u>-</u> | <u>2,432,221</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Purchase of Fixed Assets | (467,863) | - | (467,863) | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(467,863)</u> | <u>-</u> | <u>(467,863)</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | - | - | - | (166,394) |
| Cash and Cash Equivalents at Beginning of Year | 1,130 | 65,347 | 66,477 | 426,545 |
| Cash and Cash Equivalents at End of Year | <u>\$ 1,130</u> | <u>\$ 65,347</u> | <u>\$ 66,477</u> | <u>\$ 260,151</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | | |
| Operating Income (Loss) | \$ (2,385,267) | \$ - | \$ (2,385,267) | \$ (233,151) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | | | |
| Depreciation | 35,306 | - | 35,306 | - |
| Change in Assets and Liabilities: | | | | |
| Decrease in Interfund Receivables | - | - | - | 83,166 |
| Decrease in Inventory | 793 | - | 793 | - |
| Decrease in Wages Payable | 6,807 | - | 6,807 | - |
| Decrease In Payables | - | - | - | (16,409) |
| Total Adjustments | <u>42,906</u> | <u>-</u> | <u>42,906</u> | <u>66,757</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (2,342,361)</u> | <u>\$ -</u> | <u>\$ (2,342,361)</u> | <u>\$ (166,394)</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2025

Exhibit E-1

| Data Control Codes | | Custodial Fund |
|--------------------------|-----------------------------------|-------------------|
| | ASSETS: | |
| 1110 | Cash and Cash Equivalents | \$ 69,263 |
| 1000 | Total Assets | <u>69,263</u> |
| | LIABILITIES: | |
| 2000 | Total Liabilities | <u>-</u> |
| | NET POSITION: | |
| 3800 | Restricted for Student Activities | 69,263 |
| 3000 | Total Net Position | <u>\$ 69,263</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025

Exhibit E-2

| | Custodial Fund |
|------------------------------------|-------------------------|
| ADDITIONS: | |
| Revenues from Student Activities | <u>\$ 116,717</u> |
| Total Additions | <u>116,717</u> |
| DEDUCTIONS: | |
| Payments for Student Activities | <u>140,698</u> |
| Total Deductions | <u>140,698</u> |
| Change in Fiduciary Net Position | (23,981) |
| Net Position-Beginning of the Year | <u>93,244</u> |
| Net Position-End of the Year | <u><u>\$ 69,263</u></u> |

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: This fund is used to account for and report financial resources restricted, committed, or assigned to expenditure for principal and interest.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

The District reports the following major enterprise fund

National Breakfast/Lunch Program: This program accounts for all revenues and expenses associated with food service.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

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

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets and donated works of art and similar items are recorded at their acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Significant accounting policies for right-to-use assets are located at Note G for Subscription-Based IT Arrangements (SBITAS).

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-----------------------------|-------------------------------|
| Buildings | 50 years |
| Building improvements | 20 years |
| Furniture and equipment | 5-7 years |
| Right-to-use assets - SBITA | 2-5 years |

e. Deferred Outflows and Inflows of Resources

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

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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

f. Receivable and Payable Balances

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

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

g. Interfund Activity

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

h. Use of Estimates

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

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. The Board shall maintain the authority to assign fund balance. At June 30, 2025, the District had other assigned fund balance of \$2,601,000 in the General Fund for improvements.

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

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

6. Implementation of New Standards

In the current fiscal year, the district implemented the following new standard. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - should not be recognized until the leave commences. A liability for other specific types of compensated absences should not be recognized until the leave is used.

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

7. Compensated Absences

The District recognizes a liability for compensated absences for leave based on the following criteria:

- a. Leave that has been earned for services previously rendered by employees,
- b. Leave that accumulates and is allowed to be carried over to subsequent years, and
- c. Leave that is more likely than not to be used as time off or settled by cash or other means during or upon separation from employment

The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

On retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump sum payment to such employee or his/her estate. Individuals employed less than 15 years are not eligible to receive lump sum payments.

B. Deposits and Investments

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

1. Cash Deposits:

At June 30, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,389,113 and the bank balance was \$1,866,412. The District's cash deposits at June 30, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

2. Investments:

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

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

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

The District's investments at June 30, 2025 are shown below.

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Value</u> |
|--------------------------------------|----------------------------|----------------------|
| Lone Star | Wtd Avg Maturity = 28 days | \$ 7,577,662 |
| TexPool | Wtd Avg Maturity = 42 days | 420,981 |
| Texas Range | Wtd Avg Maturity = 39 days | 1,152,584 |
| LOGIC | Wtd Avg Maturity = 42 days | <u>2,450,555</u> |
| Total Investments | | <u>\$ 11,601,782</u> |

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At June 30, 2025, the District's investments are rated as to credit quality as follows:

| | |
|------------------|--------|
| Lone Star LGIP | AAAm |
| TexPool LGIP | AAAm |
| Texas Range LGIP | AAAmmf |
| LOGIC LGIP | AAAm |

b. Custodial Credit Risk

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

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

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

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

The District reports its local government investment pools (Pools) at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In addition, the Pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The Pools do not impose any liquidity fees or redemption gates.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star has three different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. The Government Overnight and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents. Lone Star is marked to market daily to maintain an accurate net asset value.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

LOGIC

Local Government Investment Cooperative (LOGIC) (the "Pool") was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants.

The Board of Trustees is LOGIC's governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represents the Co-Administrators of the Pool. The portfolio assets are marked to market daily using the fair value method. Due to the fact that amortized cost, which generally approximates the market value of the assets, has been deemed to be a proxy for fair value, portfolio assets are valued on the basis of the amortized cost valuation technique.

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool uses amortized cost to value portfolio assets and follows the criteria established by GASB 79. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Treasury Safekeeping Trust Company website at www.ttstc.org.

Texas Range

Organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. Texas Range is administered by PFM Asset Management LLC, which also serves as the investment advisor. The reported value of the pool is the same as the fair value of the pool shares. Investment options include TexasDAILY, a short-term government securities investment portfolio, which is rated AAAmmf by Fitch Ratings, TexasDAILY Select, a short-term governmental securities and other high-quality money market instruments portfolio, TexasTERM, a fixed-rate, fixed term investment option allowing investors to invest in short-term governmental securities and money market instruments with maturities of 60 days to one year, and TexasTERM CD Purchase Program, a fixed rate, fixed-term investment option enabling investors to invest in FDIC insured CD's from banks throughout the United States.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

D. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|-------------|-----------|--------------------|
| <u>Governmental activities:</u> | | | | |
| Capital assets not being depreciated / amortized: | | | | |
| Land | \$ 618,939 | \$ - | \$ - | \$ 618,939 |
| Construction in progress | - | 2,237,101 | - | 2,237,101 |
| Total capital assets not being depreciated / amortized | 618,939 | 2,237,101 | - | 2,856,040 |
| Capital assets being depreciated / amortized: | | | | |
| Buildings and improvements | 78,820,929 | - | - | 78,820,929 |
| Furniture and equipment | 7,562,909 | 641,290 | - | 8,204,199 |
| Right-to-use assets - leased equipment | 293,305 | - | - | 293,305 |
| Right-to-use assets - SBITAs | 194,405 | 48,048 | - | 242,453 |
| Total capital assets being depreciated / amortized | 86,871,548 | 689,338 | - | 87,560,886 |
| Less accumulated depreciation / amortization for: | | | | |
| Buildings and improvements | (29,749,107) | (1,651,194) | - | (31,400,301) |
| Furniture and equipment | (5,362,019) | (489,318) | - | (5,851,337) |
| Right-to-use assets - leased equipment | (232,056) | (61,249) | - | (293,305) |
| Right-to-use assets - SBITAs | (152,293) | (43,020) | - | (195,313) |
| Total accumulated depreciation / amortization | (35,495,475) | (2,244,781) | - | (37,740,256) |
| Total capital assets being depreciated / amortized, net | 51,376,073 | (1,555,443) | - | 49,820,630 |
| Governmental activities capital assets, net | \$ 51,995,012 | \$ 681,658 | \$ - | \$ 52,676,670 |
| | | | | |
| | Beginning Balances | Increases | Decreases | Ending Balances |
| <u>Business-type activities:</u> | | | | |
| Capital assets being depreciated: | | | | |
| Furniture and equipment | \$ 312,540 | \$ 467,863 | \$ - | \$ 780,403 |
| Total capital assets being depreciated | 312,540 | 467,863 | - | 780,403 |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | (244,971) | (35,306) | - | (280,277) |
| Total accumulated depreciation | (244,971) | (35,306) | - | (280,277) |
| Total capital assets being depreciated, net | 67,569 | 432,557 | - | 500,126 |
| Business-type activities capital assets, net | \$ 67,569 | \$ 432,557 | \$ - | \$ 500,126 |

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

Governmental activities depreciation / amortization was charged to functions as follows:

| | |
|---|---------------------|
| Instruction | \$ 1,270,500 |
| Instructional resources and media services | 15,875 |
| Curriculum and staff development | 91,457 |
| Instructional leadership | 43,277 |
| School leadership | 96,728 |
| Guidance, counseling, and evaluation services | 96,757 |
| Health services | 20,351 |
| Student transportation | 54,901 |
| Cocurricular/extracurricular activities | 90,586 |
| General administration | 69,852 |
| Facilities maintenance and operations | 260,286 |
| Security and monitoring services | 78,300 |
| Data processing services | 51,184 |
| Community services | 4,727 |
| | <u>\$ 2,244,781</u> |

Business-type activities depreciation / amortization was charged to function as follows:

| | |
|--------------|------------------|
| Food service | <u>\$ 35,306</u> |
|--------------|------------------|

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2025, consisted of the following:

| <u>Due To Fund</u> | <u>Due From Fund</u> | <u>Amount</u> |
|--------------------|-----------------------------|-------------------|
| General Fund | Nonmajor Governmental Funds | \$ 329,252 |
| Debt Service Fund | General Fund | 2,322 |
| | Total | <u>\$ 331,574</u> |

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable expenditures occur or deposits of revenue are received, the dates the transactions are recorded in the accounting system, and the date the interfund payments are settled. All interfund receivables and payables will be liquidated within the next fiscal year.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2025, are as follows:

| | Restated Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|----------------------------------|----------------------------------|---------------------|---------------------|----------------------|-----------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| General Obligation Bonds | \$ 24,732,629 | \$ - | \$ 3,365,000 | \$ 21,367,629 | \$ 2,175,000 |
| Notes from Direct Borrowings | 466,000 | - | 63,000 | 403,000 | 64,500 |
| Financed Purchases | 202,592 | - | 99,258 | 103,334 | 103,334 |
| Premium on Bonds | 1,038,924 | - | 109,971 | 928,953 | - |
| Accumulated Accretion on CABs | 1,080,344 | 40,184 | - | 1,120,528 | - |
| Net Pension Liability* | 12,966,733 | - | 567,726 | 12,399,007 | - |
| Net OPEB Liability* | 5,403,938 | 2,408,271 | - | 7,812,209 | - |
| Lease Liability | 64,243 | - | 64,243 | - | - |
| SBITA Liability | 19,376 | 48,047 | 23,178 | 44,245 | 9,273 |
| Compensated Absences | 669,300 | 77,746 | - | 747,046 | 56,763 |
| Total governmental activities | <u>\$ 46,644,079</u> | <u>\$ 2,574,248</u> | <u>\$ 4,292,376</u> | <u>\$ 44,925,951</u> | <u>\$ 2,408,870</u> |
| | | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
| <u>Business-type Activities:</u> | | | | | |
| Net Pension Liability* | \$ 327,738 | \$ - | \$ 22,800 | \$ 304,938 | \$ - |
| Net OPEB Liability* | 147,286 | 61,135 | - | 208,421 | - |
| Total business-type activities | <u>\$ 475,024</u> | <u>\$ 61,135</u> | <u>\$ 22,800</u> | <u>\$ 513,359</u> | <u>\$ -</u> |

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

| <u>Liability</u> | <u>Activity Type</u> | <u>Fund</u> |
|-----------------------|----------------------|---|
| Net Pension Liability | Governmental | General |
| Net OPEB Liability | Governmental | General |
| Net Pension Liability | Business-type | National School Breakfast and Lunch Program |
| Net OPEB Liability | Business-type | National School Breakfast and Lunch Program |

Beginning balances for General obligation bonds and accumulated accretion on CABs as of July 1, 2024, were restated due to prior period adjustments. See Note N for additional information.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2025, are as follows:

| Year Ending June 30 | Governmental Activities | | | | Total |
|------------------------|-------------------------|---------------------|------------------------------|------------------|----------------------|
| | Bonds | | Notes from Direct Borrowings | | |
| | Principal | Interest | Principal | Interest | |
| 2026 | \$ 2,175,000 | \$ 880,713 | \$ 64,500 | \$ 6,521 | \$ 3,126,734 |
| 2027 | 2,270,000 | 797,338 | 65,500 | 5,477 | 3,138,315 |
| 2028 | 2,159,341 | 792,634 | 66,500 | 4,417 | 3,022,892 |
| 2029 | 2,285,332 | 664,568 | 67,500 | 3,341 | 3,020,741 |
| 2030 | 2,327,295 | 570,505 | 69,000 | 2,249 | 2,969,049 |
| 2031-2035 | 10,150,661 | 1,474,490 | 70,000 | 1,133 | 11,696,284 |
| Totals | <u>\$ 21,367,629</u> | <u>\$ 5,180,248</u> | <u>\$ 403,000</u> | <u>\$ 23,138</u> | <u>\$ 26,974,015</u> |

| Year Ending June 30 | Financed Purchases | | Total |
|------------------------|--------------------|-----------------|-------------------|
| | Principal | Interest | |
| 2026 | \$ 103,334 | \$ 4,243 | \$ 107,577 |
| Totals | <u>\$ 103,334</u> | <u>\$ 4,243</u> | <u>\$ 107,577</u> |

The interest rate on the Schoolhouse Refunding Bonds, Series 2013 Bonds ranges from 2.00% to 4.50% and mature on August 15, 2031.

The interest rate on the Unlimited Tax Building and Refunding Bonds, Series 2015 Bonds is 2.00% and mature on August 15, 2034.

The interest rate on the Schoolhouse Refunding Bonds, Series 2017 ranges from 2.50% to 4.50% and mature on August 15, 2027.

The interest rate on the Schoolhouse Unlimited Building and Refunding Bonds, Series 2018 ranges from 2.00% to 4.125% and mature on August 15, 2034.

The interest rate on the Schoolhouse Refunding Bonds, Series 2020 ranges from 3.00% to 4.00% and mature on August 15, 2034.

The interest rate on the Taxable QCEB Notes, Series 2016 is 1.618% and mature on August 15, 2034.

The interest rate on the 2022 Bus note is 2.5% and matures in fiscal year 2026.

The District did not have any unused lines of credit, assets pledged as collateral for debt, or terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, or subjective acceleration clauses as of June 30, 2025.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

G. Subscription Based IT Arrangements

The District is a contractee for noncancelable Subscriptions Based IT Arrangements (SBITAs). The District recognizes a SBITA liability, reported with long-term debt, and a right-to-use SBITA asset, reported with other capital assets, 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 a SBITA, the District 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. The SBITA asset is initially measured at the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the commencement of the SBITA term, plus capitalizable initial implementation costs as described in GASB 96 paragraph 29b. Subsequently, the SBITA asset is amortized on a straight-line basis over the shorter of the SBITA term or its useful life.

Key estimates and judgments related to SBITAs 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 its estimated incremental borrowing rate as the discount rate for SBITA.
- The SBITA term includes the noncancelable SBITA period of the SBITA.

SBITA payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, payments for penalties of terminating the SBITA, SBITA incentives receivable from the vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

There were no variable payments or residual value guarantees or penalties not included in the measurement of the SBITAs. The District did not have any commitments under SBITAs not yet commenced at year-end, or components of losses associated with asset impairments, or sublease transactions for the ten-months ended June 30, 2024.

The District entered into a new SBITA with Imagenet Consulting during the year, matures on February 1, 2030 and is for print management software totaling \$48,047 payable in monthly installments of \$847 at an interest rate of 2.23%.

Future SBITA payment maturity schedule is as follows:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-----------|----------|-----------|
| 2026 | \$ 9,273 | \$ 892 | \$ 10,165 |
| 2027 | 9,481 | 683 | 10,164 |
| 2028 | 9,694 | 470 | 10,164 |
| 2029 | 9,913 | 251 | 10,164 |
| 2030 | 5,884 | 44 | 5,928 |
| Totals | \$ 44,245 | \$ 2,340 | \$ 46,585 |

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, Ferris Independent School District carried insurance through various plans described below. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Property and Liability

During the year ended June 30, 2025, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Property, Cyber Liability & Security, and School Liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended June 30, 2025, the Fund anticipates that Ferris ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association (the Association). The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers' compensation risks up to an agreed upon retention limit. The plan for worker's compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third-party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$127,209 incurred but not reported claims. Costs are allocated to other funds and the retained earnings are fully reserved for self-funded insurance. Estimates of claims payable and of claims incurred but not reported at June 30, 2025, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of claim liabilities during the past year are as follows:

| | <u>Year ended</u> <u>6/30/2025</u> | <u>Year ended</u> <u>6/30/2024</u> |
|----------------------------------|---------------------------------------|---------------------------------------|
| Unpaid claims, beginning of year | \$ 275,190 | \$ 222,573 |
| Incurred claims | 130,580 | 124,433 |
| Claim payments | <u>(146,989)</u> | <u>(71,816)</u> |
| Unpaid claims, end of year | <u>\$ 258,781</u> | <u>\$ 275,190</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

Unemployment Compensation

During the year ended June 30, 2025, Ferris ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended June 30, 2025, the Fund anticipates that Ferris ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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.

4. Contributions

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

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>2024</u> | <u>2025</u> |
| Member | 8.25% | 8.25% |
| Non-Employer Contributing Entity (State) | 8.25% | 8.25% |
| Employers | 8.25% | 8.25% |
| District's 2025 Employer Contributions | | \$ 1,239,489 |
| District's 2025 Member Contributions | | \$ 2,264,845 |
| 2024 NECE On-Behalf Contributions (State) | | \$ 1,422,723 |

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

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

- All public schools, charter schools, and regional educational service centers must contribute 1.9% of the member's salary beginning in fiscal year 2024, gradually increasing to 2% 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.

5. Actuarial Assumptions

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

| | |
|---|---|
| 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% * |
| Last year ending August 31 in Projection Period (100 years) | 2123 |
| Inflation | 2.30% |
| Salary Increases including inflation | 2.95% to 8.95% |
| Ad hoc post-employment benefit changes | None |

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

The actuarial methods and assumptions 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 21, 2023.

6. Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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 future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| Asset Class * | Target Allocation ** | Long-Term Expected Arithmetic Real Rate of Return *** | 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 | 14.00% | 6.70% | 1.20% |
| Stable Value | | | |
| Government Bonds | 16.00% | 1.90% | 0.40% |
| Stable Value Hedge Funds | 5.00% | 3.00% | 0.20% |
| Absolute Return* | 0.00% | 4.00% | 0.00% |
| Real Return | | | |
| Real Estate | 15.00% | 6.60% | 1.20% |
| Energy, Natural Resources and 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 **** | | | -0.70% |
| Expected Return | 100.00% | | 7.90% |

* Absolute Return includes Credit Sensitive Investments.
 ** Target allocations are based on the FY2024 policy model.
 *** Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023).
 **** The volatility drag results from the conversion between arithmetic and geometric mean returns.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

7. 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.

| | 1% Decrease in Discount Rate (6.00%) | Discount Rate (7.00%) | 1% Increase in Discount Rate (8.00%) |
|--|--|-----------------------------|--|
| District's proportionate share of the net pension liability: | \$ 20,291,419 | \$ 12,703,945 | \$ 6,417,183 |

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

At June 30, 2025, the District reported a liability of \$12,703,945 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|---------------|
| District's proportionate share of the collective net pension liability | \$ 12,703,945 |
| State's proportionate share that is associated with District | 15,421,545 |
| Total | \$ 28,125,490 |

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

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.0207974%, which was an increase of 0.0014432% from its proportion measured as of August 31, 2023.

9. 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.

For the fiscal year ended June 30, 2025, the District recognized pension expense of \$3,867,811 and revenue of \$1,843,132 for support provided by the State.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

At June 30, 2025, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between Expected and Actual Actuarial Experience | \$ 700,224 | \$ 99,186 |
| Changes in Actuarial Assumptions | 655,932 | 87,938 |
| Difference Between Projected and Actual Investment Earnings | 77,222 | - |
| Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions | 1,967,665 | 26,647 |
| Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability | 984,670 | - |
| Total | \$ 4,385,713 | \$ 213,771 |

The District recognized \$984,670 as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025. The other amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ended June 30 | Pension Expense Amount |
|------------------------------|---------------------------|
| 2026 | \$ 601,884 |
| 2027 | 1,903,382 |
| 2028 | 583,253 |
| 2029 | (30,083) |
| 2030 | 128,837 |
| Thereafter | (1) |

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

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

2. OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov>; by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

3. Benefits Provided

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

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

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

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

4. Contributions

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

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25% 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 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

| Contribution Rates | | |
|---|-------|------------|
| | 2024 | 2025 |
| Member | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |
| Federal/Private Funding remitted by Employers | 1.25% | 1.25% |
| District's 2025 Employer Contributions | | \$ 246,344 |
| District's 2025 Member Contributions | | \$ 178,444 |
| 2024 NECE On-Behalf Contributions (State) | | \$ 300,764 |

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether they participate in the TRS-Care OPEB program*). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

5. Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in 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:

| | |
|----------------------|---------------------|
| Rates of Mortality | Rates of Disability |
| Rates of Retirement | General Inflation |
| Rates of Termination | 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.

Additional Actuarial Methods and Assumptions:

| | |
|--|--|
| 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 claims costs. |
| Projected Salary Increases | 2.95% to 8.95%, including inflation |
| Ad hoc post-employment benefit changes | None |

6. Discount Rate

A single discount rate of 3.87% was used to measure the Total OPEB Liability. This was a decrease of .26% 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 e Bond Buyer's "20-Bond GO Index" as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

7. Discount Rate Sensitivity Analysis

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

| | 1% Decrease in Discount Rate <u>(2.87%)</u> | Discount Rate <u>(3.87%)</u> | 1% Increase in Discount Rate <u>(4.87%)</u> |
|---|---|------------------------------------|---|
| District's proportionate share of the net OPEB liability: | \$ <u>9,528,883</u> | \$ <u>8,020,630</u> | \$ <u>6,801,939</u> |

8. 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.

| | 1% Decrease in the Healthcare Trend Rate | Current Single Healthcare Trend Rate | 1% Increase in the Healthcare Trend Rate |
|---|--|--|--|
| District's proportionate share of the net OPEB liability: | \$ <u>6,531,613</u> | \$ <u>8,020,630</u> | \$ <u>9,960,969</u> |

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

At June 30, 2025, the District reported a liability of \$8,020,630 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 | \$ 8,020,630 |
| State's proportionate share that is associated with District | <u>10,049,741</u> |
| Total | <u>\$ 18,070,371</u> |

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

At August 31, 2024 the District's proportion of the collective net OPEB liability was 0.026426%, which was an increase of 0.001351% from its proportion measured as of August 31, 2023.

10. 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.

Changes of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

The amount of OPEB expense recognized by the District in the reporting period was (\$1,867,136) and revenue of (\$1,306,281) for support provided by the State.

At June 30, 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between Expected and Actual Actuarial Experience | \$ 1,537,286 | \$ 4,002,729 |
| Changes in Actuarial Assumptions | 1,026,546 | 2,617,039 |
| Difference Between Projected and Actual Investment Earnings | - | 22,460 |
| Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions | 2,626,719 | 401,744 |
| Contributions paid to TRS subsequent to the measurement date of the Net OPEB Liability | 199,602 | - |
| Total | <u>\$ 5,390,153</u> | <u>\$ 7,043,972</u> |

The District recognized \$199,602 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ended June 30 | OPEB Expense Amount |
|------------------------------|------------------------|
| 2026 | \$ (721,656) |
| 2027 | (358,391) |
| 2028 | (681,514) |
| 2029 | (431,169) |
| 2030 | (169,145) |
| Thereafter | 508,454 |

11. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended June 30, 2025, the subsidy payment received by TRS-Care on behalf of the District was \$190,510.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

K. Employee Health Care Coverage

During the year ended June 30, 2025, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

Latest financial statements for the Plan are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at June 30, 2025.

M. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ('SSA) for Title I, Title II, Eisenhower Math and Science Act, Title VI Block Grant and Title IV Safe and Drug Free School with the following school districts:

Member Districts

46 Other Districts

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Region 10, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

FERRIS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

N. Error Correction

During fiscal year 2025, the District identified errors in its previously issued fiscal year 2024 financial statements that required correction in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. The errors related to the accounting for bonded debt, including a bond defeasance transaction completed in June 2024 that was not recorded in the proper fiscal year, misstatements in reported bond principal balances, and errors in the calculation of accumulated accretion on the District's capital appreciation bonds. The accumulated accretion errors included both accretion that should not have been recognized on defeased bonds and an independent calculation error unrelated to the defeasance.

The errors described above have been corrected by restating the financial statements retroactively in accordance with GASB Statement No. 100. The corrections resulted in adjustments to bond principal balances, accumulated accretion on capital appreciation bonds, and beginning net position and fund balances as of July 1, 2024.

The following table summarizes the adjustments to beginning net position/fund balance:

| | Governmental Activities | Debt Service Fund |
|--|----------------------------|----------------------|
| Beginning net position/fund balance, as previously reported | \$ 22,750,570 | \$ 4,109,958 |
| Adjustment related to 2024 bond defeasance not previously recognized | (174,804) | (550,234) |
| Adjustment to accumulated accretion on CABs due to calculation error | (36,346) | |
| Adjustment to bond principal balances unrelated to defeasance | 9,800 | - |
| Total Prior-Period Adjustments | (201,350) | (550,234) |
| Beginning net position/fund balance, as Restated | \$ 22,549,220 | \$ 3,559,724 |

O. Subsequent Events

The District evaluated subsequent events through January 19, 2026, the date the financial statements were available to be issued and noted the following:

In August 2025, the District issued building bonds in the aggregate principal amount of \$52,155,000, the proceeds of which are restricted for the financing of capital projects. The District intends to use bond proceeds to reimburse itself for certain capital-related expenditures incurred prior to the issuance of the bonds. At June 30, 2025, approximately \$2.2 million of expenditures recognized in the General Fund were related to bond-eligible capital projects. These expenditures are expected to be reimbursed to the General Fund from the bond proceeds in fiscal year 2026.

Required Supplementary Information

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

FERRIS INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2025

Exhibit G-1

| Data Control Codes | | 1 | 2 | 3 | Variance with Final Budget Positive (Negative) |
|---|---|----------------------|----------------------|----------------------|--|
| | | Budgeted Amounts | | Actual | |
| | | Original | Final | | |
| REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 8,730,762 | \$ 8,478,262 | \$ 8,486,266 | \$ 8,004 |
| 5800 | State Program Revenues | 30,428,673 | 28,403,273 | 29,673,194 | 1,269,921 |
| 5900 | Federal Program Revenues | 310,000 | 162,500 | 175,161 | 12,661 |
| 5020 | Total Revenues | <u>39,469,435</u> | <u>37,044,035</u> | <u>38,334,621</u> | <u>1,290,586</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction and Instructional Related Services: | | | | | |
| 0011 | Instruction | 22,716,471 | 23,869,389 | 21,636,501 | 2,232,888 |
| 0012 | Instructional Resources and Media Services | 326,093 | 331,093 | 309,792 | 21,301 |
| 0013 | Curriculum and Staff Development | 1,500,397 | 1,405,397 | 1,292,142 | 113,255 |
| | Total Instruction and Instr. Related Services | <u>24,542,961</u> | <u>25,605,879</u> | <u>23,238,435</u> | <u>2,367,444</u> |
| Instructional and School Leadership: | | | | | |
| 0021 | Instructional Leadership | 724,561 | 835,561 | 812,387 | 23,174 |
| 0023 | School Leadership | 1,770,562 | 1,985,562 | 1,899,102 | 86,460 |
| | Total Instructional and School Leadership | <u>2,495,123</u> | <u>2,821,123</u> | <u>2,711,489</u> | <u>109,634</u> |
| Student Support Services: | | | | | |
| 0031 | Guidance, Counseling and Evaluation Services | 1,699,332 | 1,974,332 | 1,890,166 | 84,166 |
| 0033 | Health Services | 417,440 | 447,440 | 375,349 | 72,091 |
| 0034 | Student Transportation | 864,742 | 1,174,742 | 1,061,982 | 112,760 |
| 0036 | Cocurricular/Extracurricular Activities | 1,355,697 | 1,498,697 | 1,449,739 | 48,958 |
| | Total Student Support Services | <u>4,337,211</u> | <u>5,095,211</u> | <u>4,777,236</u> | <u>317,975</u> |
| Administrative Support Services: | | | | | |
| 0041 | General Administration | 1,222,068 | 1,390,068 | 1,326,251 | 63,817 |
| | Total Administrative Support Services | <u>1,222,068</u> | <u>1,390,068</u> | <u>1,326,251</u> | <u>63,817</u> |
| Support Services: | | | | | |
| 0051 | Facilities Maintenance and Operations | 4,172,491 | 5,647,491 | 6,033,771 | (386,280) |
| 0052 | Security and Monitoring Services | 1,206,948 | 1,428,948 | 1,406,920 | 22,028 |
| 0053 | Data Processing Services | 1,070,567 | 1,084,567 | 1,008,782 | 75,785 |
| | Total Support Services | <u>6,450,006</u> | <u>8,161,006</u> | <u>8,449,473</u> | <u>(288,467)</u> |
| Ancillary Services: | | | | | |
| 0061 | Community Services | 82,952 | 95,452 | 90,954 | 4,498 |
| | Total Ancillary Services | <u>82,952</u> | <u>95,452</u> | <u>90,954</u> | <u>4,498</u> |
| Debt Service: | | | | | |
| 0071 | Principal on Long-Term Debt | 272,500 | 474,574 | 249,679 | 224,895 |
| 0072 | Interest on Long-Term Debt | - | 14,326 | 18,231 | (3,905) |
| | Total Debt Service | <u>272,500</u> | <u>488,900</u> | <u>267,910</u> | <u>220,990</u> |
| Intergovernmental Charges: | | | | | |
| 0095 | Education Programs | 11,294 | - | - | - |
| 0099 | Other Intergovernmental Charges | 97,320 | 103,320 | 102,815 | 505 |
| | Total Intergovernmental Charges | <u>108,614</u> | <u>103,320</u> | <u>102,815</u> | <u>505</u> |
| 6030 | Total Expenditures | <u>\$ 39,511,435</u> | <u>\$ 43,760,959</u> | <u>\$ 40,964,563</u> | <u>\$ 2,791,898</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2025

Exhibit G-1

| Data Control Codes | | 1 | 2 | 3 | Variance with Final Budget Positive (Negative) |
|--------------------------|--|------------------|----------------|----------------|---|
| | | Budgeted Amounts | | Actual | |
| | | Original | Final | | |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | \$ (42,000) | \$ (6,716,924) | \$ (2,629,942) | \$ 4,086,982 |
| | Other Financing Sources (Uses): | | | | |
| 7949 | Issuance of Right-to-Use SBITAs | - | - | 48,047 | 48,047 |
| 7915 | Operating Transfers In | 42,000 | - | - | - |
| 7080 | Total Other Financing Sources and (Uses) | 42,000 | - | 48,047 | 48,047 |
| 1200 | Net Change in Fund Balance | - | (6,716,924) | (2,581,895) | 4,135,029 |
| 0100 | Fund Balance - Beginning | 12,322,001 | 12,322,001 | 12,322,001 | - |
| 3000 | Fund Balance - Ending | \$ 12,322,001 | \$ 5,605,077 | \$ 9,740,106 | \$ 4,135,029 |

FERRIS INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN MEASUREMENT YEARS

| | Measurement Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's proportion of the net pension liability | 0.021% | 0.019% | 0.016% | 0.016% | 0.014% | 0.014% | 0.014% | 0.015% | 0.015% | 0.015% |
| District's proportionate share of the net pension liability | \$ 12,703,945 | \$ 13,294,471 | \$ 9,702,155 | \$ 3,966,218 | \$ 7,538,746 | \$ 7,069,076 | \$ 8,165,403 | \$ 4,678,091 | \$ 5,770,430 | \$ 5,322,308 |
| State's proportionate share of the net pension liability associated with the District | 15,421,545 | 17,687,362 | 14,908,296 | 6,724,565 | 14,590,143 | 13,349,622 | 14,233,987 | 8,167,160 | 8,638,035 | 8,373,279 |
| Total | \$ 28,125,490 | \$ 30,981,833 | \$ 24,610,451 | \$ 10,690,783 | \$ 22,128,889 | \$ 20,418,698 | \$ 22,399,390 | \$ 12,845,251 | \$ 14,408,465 | \$ 13,695,587 |
| District's covered payroll | \$ 27,454,815 | \$ 24,932,762 | \$ 21,326,221 | \$ 20,105,859 | \$ 19,186,204 | \$ 17,110,611 | \$ 16,888,356 | \$ 16,414,962 | \$ 14,927,253 | \$ 14,220,295 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 46.27% | 53.32% | 45.49% | 19.73% | 39.29% | 41.31% | 48.35% | 28.50% | 38.66% | 37.43% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.51% | 73.15% | 75.62% | 88.79% | 75.54% | 75.24% | 73.74% | 82.17% | 78.00% | 78.43% |

FERRIS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 LAST TEN FISCAL YEARS

Exhibit G-3

| | Fiscal Year | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2025 | 2024 | 2023* | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Contractually required contribution | \$ 1,239,489 | \$ 1,165,044 | \$ 863,967 | \$ 762,592 | \$ 664,629 | \$ 556,409 | \$ 475,974 | \$ 507,752 | \$ 473,299 | \$ 485,126 |
| Contributions in relation to the contractually required contribution | (1,239,489) | (1,165,044) | (863,967) | (762,592) | (664,629) | (556,409) | (475,974) | (507,752) | (473,299) | (485,126) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 27,455,695 | \$ 26,289,994 | \$ 23,275,110 | \$ 21,326,221 | \$ 20,105,859 | \$ 19,186,204 | \$ 17,110,611 | \$ 16,888,356 | \$ 16,414,962 | \$ 14,927,253 |
| Contributions as a percentage of covered payroll | 4.51% | 4.43% | 3.71% | 3.58% | 3.31% | 2.90% | 2.78% | 3.01% | 2.88% | 3.25% |

* Fiscal year 2023 was for ten months due to the District changing their fiscal year end from August 31 to June 30.

FERRIS INDEPENDENT SCHOOL DISTRICT

Exhibit G-4

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN MEASUREMENT YEARS *

| | Measurement Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------|-------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's proportion of the collective net OPEB liability | 0.030% | 0.030% | 0.023% | 0.023% | 0.022% | 0.021% | 0.023% | 0.019% | - | - |
| District's proportionate share of the collective net OPEB liability | \$ 8,020,630 | \$ 5,551,224 | \$ 5,428,573 | \$ 8,841,058 | \$ 8,440,547 | \$ 10,029,850 | \$ 11,312,057 | \$ 8,457,091 | \$ - | \$ - |
| State proportionate share of the collective net OPEB liability associated with the District | 10,049,741 | 6,698,405 | 6,622,007 | 11,845,048 | 11,342,072 | 13,327,427 | 14,705,052 | 12,768,992 | - | - |
| Total | \$ 18,070,371 | \$ 12,249,629 | \$ 12,050,580 | \$ 20,686,106 | \$ 19,782,619 | \$ 23,357,277 | \$ 26,017,109 | \$ 21,226,083 | \$ - | \$ - |
| District's covered payroll | \$ 27,454,815 | \$ 24,932,762 | \$ 21,326,221 | \$ 20,105,859 | \$ 19,186,204 | \$ 17,110,611 | \$ 16,888,356 | \$ 16,414,962 | \$ - | \$ - |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 29.21% | 22.26% | 25.45% | 43.97% | 43.99% | 58.62% | 66.98% | 51.52% | - | - |
| Plan fiduciary net position as a percentage of the total OPEB liability | 13.70% | 14.94% | 11.52% | 6.18% | 4.99% | 2.66% | 1.57% | 0.91% | - | - |

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

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

Exhibit G-5

| | Fiscal Year | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|-------------|
| | 2025 | 2024 | 2023** | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Statutorily or contractually required District contribution | \$ 246,344 | \$ 237,331 | \$ 203,671 | \$ 186,214 | \$ 179,053 | \$ 163,835 | \$ 150,523 | \$ 156,916 | \$ - | \$ - |
| Contributions recognized by OPEB in relation to statutorily or contractually required contribution | (246,344) | (237,331) | (203,671) | (186,214) | (179,053) | (163,835) | (150,523) | (156,916) | - | - |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 27,455,695 | \$ 26,289,994 | \$ 23,275,110 | \$ 21,326,221 | \$ 20,105,859 | \$ 19,186,204 | \$ 17,110,611 | \$ 16,888,356 | \$ - | \$ - |
| Contributions as a percentage of covered payroll | 0.90% | 0.90% | 0.88% | 0.87% | 0.89% | 0.85% | 0.88% | 0.93% | - | - |

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

** Fiscal year 2023 was for ten months due to the District changing their fiscal year end from August 31 to June 30.

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

Budget

The official budget was prepared for adoption for all Governmental Fund Types legally required (General Fund, Food Service Fund, and Debt Service Fund). The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan and Defined Benefit OPEB Plan

Changes of benefit terms

Any changes of benefit terms that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note I).

Any changes of benefit terms that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note J).

Changes of assumptions

Any changes of assumptions that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note I).

Any changes of assumptions that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note J).

Other Supplementary Information

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

FERRIS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT J-1

| Year Ended June 30 | 1 Tax Rates | | 2 Assessed/Appraised Value For School Tax Purposes | 3 Beginning Balance 7/1/2024 | 20 Current Year's Total Levy | 31 Maintenance Collections | 32 Debt Service Collections | 40 Entire Year's Adjustments | 50 Ending Balance 6/30/2025 | 99 Total Taxes Refunded Under Sect. 26.1115(c) |
|--------------------------------|----------------|--------------|---|---------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|--------------------------------------|---|
| | Maintenance | Debt Service | | | | | | | | |
| 2016 and Prior Years | \$ Various | \$ Various | Various | \$ 52,145 | \$ - | \$ 1,442 | \$ 252 | \$ (5,311) | \$ 45,140 | |
| 2017 | 1.1700 | .1850 | 319,917,850 | 7,642 | - | 144 | 23 | (896) | 6,579 | |
| 2018 | 1.1700 | .2173 | 355,164,925 | 9,116 | - | 293 | 54 | (1,089) | 7,680 | |
| 2019 | 1.1700 | .3473 | 404,301,314 | 12,971 | - | 1,064 | 316 | (1,170) | 10,421 | |
| 2020 | 1.0684 | .3789 | 504,071,234 | 27,378 | - | 3,655 | 1,296 | (745) | 21,682 | |
| 2021 | .9854 | .3284 | 581,424,874 | 45,723 | - | 15,194 | 5,064 | 2,790 | 28,255 | |
| 2022 | .9559 | .3184 | 634,106,804 | 71,120 | - | 26,063 | 8,681 | (308) | 36,068 | |
| 2023 | .9385 | .3000 | 795,309,358 | 177,102 | - | 64,018 | 20,464 | (20,976) | 71,644 | |
| 2024 | .7531 | .3900 | 903,308,864 | 583,089 | - | 121,820 | 63,086 | (260,736) | 137,447 | |
| 2025 (School Year Under Audit) | .7508 | .3900 | 1,016,705,809 | - | 11,598,580 | 7,311,769 | 3,798,069 | - | 488,742 | |
| 1000 Totals | | | | <u>\$ 986,286</u> | <u>\$ 11,598,580</u> | <u>\$ 7,545,462</u> | <u>\$ 3,897,305</u> | <u>\$ (288,441)</u> | <u>\$ 853,658</u> | |

8000 - Total Taxes Refunded under Section 26.1115, Tax Code

\$ -

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

\$ -

Column 20, the current year's levy is the ending levy due provided by Ellis County Tax Office.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

FERRIS INDEPENDENT SCHOOL DISTRICT

ENTERPRISE FUND NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2025

Exhibit J-2

| Data Control Codes | 1 | 3 | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|---|
| | Budget | Actual | (Negative) |
| OPERATING REVENUES: | | | |
| 5700 Local and Intermediate Sources | \$ 151,595 | \$ 158,023 | \$ 6,428 |
| 5800 State Program Revenues | 35,000 | 9,411 | (25,589) |
| 5900 Federal Program Revenues | 110,000 | 114,333 | 4,333 |
| 5020 Total Revenues | <u>296,595</u> | <u>281,767</u> | <u>(14,828)</u> |
| OPERATING EXPENSES: | | | |
| 6100 Payroll Costs | 1,145,814 | 1,039,866 | 105,948 |
| 6200 Professional and Contracted Services | 91,288 | 78,791 | 12,497 |
| 6300 Supplies and Materials | 1,411,259 | 1,498,595 | (87,336) |
| 6400 Other Operating Costs | 19,758 | 49,782 | (30,024) |
| 6030 Total Expenses | <u>2,668,119</u> | <u>2,667,034</u> | <u>1,084</u> |
| Operating Income (Loss) | (2,371,524) | (2,385,267) | (15,912) |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| 7952 National School Breakfast Program | 650,000 | 554,676 | (95,324) |
| 7953 National School Lunch Program | 1,600,630 | 1,697,075 | 96,445 |
| 7954 USDA Donated Commodities | 5,000 | 155,407 | 150,407 |
| 8030 Total Non-operating Revenues (Expenses) | <u>2,255,630</u> | <u>2,407,158</u> | <u>151,528</u> |
| 1300 Change in Net Position | (115,894) | 21,891 | 135,616 |
| 0100 Net Position - Beginning | 716,165 | 716,165 | - |
| 3000 Net Position - Ending | <u>\$ 600,272</u> | <u>\$ 738,056</u> | <u>\$ 135,616</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2025

| Data Control Codes | 1 | 3 | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---|
| | Budget | Actual | |
| REVENUES: | | | |
| 5700 Local and Intermediate Sources | \$ 4,413,784 | \$ 4,200,284 | \$ (213,500) |
| 5800 State Program Revenues | 504,554 | 485,475 | (19,079) |
| 5020 Total Revenues | <u>4,918,338</u> | <u>4,685,759</u> | <u>(232,579)</u> |
| EXPENDITURES: | | | |
| Debt Service: | | | |
| 0071 Principal on Long-Term Debt | 3,762,610 | 3,365,000 | 397,610 |
| 0072 Interest on Long-Term Debt | 1,119,054 | 979,968 | 139,086 |
| 0073 Bond Issuance Costs and Fees | 36,674 | 13,694 | 22,980 |
| Total Debt Service | <u>4,918,338</u> | <u>4,358,662</u> | <u>559,676</u> |
| 6030 Total Expenditures | <u>4,918,338</u> | <u>4,358,662</u> | <u>559,676</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | - | 327,097 | 327,097 |
| 1200 Net Change in Fund Balance | <u>-</u> | <u>327,097</u> | <u>327,097</u> |
| 0100 Fund Balance - Beginning | 4,109,958 | 4,109,958 | - |
| 1300 Prior Period Adjustment | (550,234) | (550,234) | - |
| 0100 Fund Balances - Beginning, as restated | <u>3,559,724</u> | <u>3,559,724</u> | <u>-</u> |
| 3000 Fund Balance - Ending | <u>\$ 3,559,724</u> | <u>\$ 3,886,821</u> | <u>\$ 327,097</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT
 USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
 AS OF JUNE 30, 2025

EXHIBIT J-4

| <u>Data Control Codes</u> | | <u>Responses</u> |
|--|--|------------------|
| <u>Section A: Compensatory Education Programs</u> | | |
| AP1 | Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year? | Yes |
| AP2 | Does the LEA have written policies and procedures for its state compensatory education program? | Yes |
| AP3 | List the total state allotment funds received for state compensatory education programs during the district's fiscal year. | \$3,490,768 |
| AP4 | List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30) | \$2,502,579 |
| <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. | \$585,553 |
| AP8 | List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25) | \$468,698 |



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards

Board of Trustees
Ferris Independent School District
P.O. Box 459
Ferris, Texas 75125

Members of the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ferris Independent School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Ferris Independent School District's basic financial statements, and have issued our report thereon dated January 19, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of Ferris Independent School District in a separate letter dated January 19, 2026.

Purpose of this Report

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

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, slightly slanted style.

Snow Garrett Williams
January 19, 2026



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Ferris Independent School District
P.O. Box 459
Ferris, Texas 75125

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ferris Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Ferris Independent School District's major federal program for the year ended June 30, 2025. Ferris Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Ferris Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Ferris Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Ferris Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ferris Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *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 Ferris Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Ferris Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Ferris Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Ferris Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Snow Garrett Williams

Snow Garrett Williams
January 19, 2026

FERRIS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

| <u>Assistance Listing Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------------------------|---|
| 10.553/10.555 | Child Nutrition Cluster |

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

Auditee qualified as low-risk auditee? Yes X No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

FERRIS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2025

A corrective action plan is not needed.

FERRIS INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

| (1) | (2) | (2A) | (3) |
|---|----------------|--|-------------------------|
| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal ALN | Pass-Through Entity Identifying Number | Federal Expenditures |
| CHILD NUTRITION CLUSTER: | | | |
| <u>U. S. Department of Agriculture</u> | | | |
| Passed Through State Department of Education: | | | |
| School Breakfast Program | 10.553 | 71402501 | \$ 554,676 |
| National School Lunch Program | 10.555 | 71302501 | 1,697,075 |
| Total Passed Through State Department of Education | | | 2,251,751 |
| Passed Through State Department of Agriculture: | | | |
| Child and Adult Food Care Program (CACFP) | 10.555 | NT4XL1YGLGC5 | 99,027 |
| Summer Food Program | 10.555 | NT4XL1YGLGC5 | 7,064 |
| Commodity Supplemental Food Program (Non-cash) | 10.555 | NT4XL1YGLGC5 | 155,407 |
| Total ALN 10.555 | | | 261,498 |
| Total Passed Through State Department of Agriculture | | | 261,498 |
| Total U.S. Department of Agriculture | | | 2,513,249 |
| Total Child Nutrition Cluster | | | 2,513,249 |
| SPECIAL EDUCATION (IDEA) CLUSTER: | | | |
| <u>U. S. Department of Education</u> | | | |
| Passed Through State Department of Education: | | | |
| IDEA-Part B, Formula | 84.027A | 246600010709056600 | 48,728 |
| IDEA-Part B, Formula | 84.027A | 256600010709056600 | 493,082 |
| High Cost Fund | 84.027A | 66002506 | 44,687 |
| Total ALN 84.027A | | | 586,497 |
| IDEA-Part B, Preschool | 84.173A | 256610010709056610 | 15,756 |
| Total Passed Through State Department of Education | | | 602,253 |
| Total U. S. Department of Education | | | 602,253 |
| Total Special Education (IDEA) Cluster | | | 602,253 |
| OTHER PROGRAMS: | | | |
| <u>U.S. Department of Agriculture</u> | | | |
| Passed Through State Department of Agriculture | | | |
| Commodity Storage Reimbursement Grant | 10.560 | NT4XL1YGLGC5 | 8,242 |
| Total Passed Through State Department of Agriculture | | | 8,242 |
| Total U.S. Department of Agriculture | | | 8,242 |
| <u>U. S. Department of Education</u> | | | |
| Passed Through State Department of Education: | | | |
| ESEA Title I Part A - Improving Basic Programs | 84.010A | 24610101057950 | 8,804 |
| ESEA Title I Part A - Improving Basic Programs | 84.010A | 25610101057950 | 654,258 |
| Total ALN 84.010A | | | 663,062 |
| Career and Technical Education - Basic Grant | 84.048A | 24420006070905 | 4,912 |
| Career and Technical Education - Basic Grant | 84.048A | 25420006070905 | 38,748 |
| Total ALN 84.048A | | | 43,660 |
| Title III, Part A, English Language Acquisition and Language Enhancement | 84.365A | 25671001057950 | 80,427 |
| ESEA Title II, Part A, Teacher & Principal Training & Recruiting | 84.367A | 25694501057950 | 96,268 |
| Summer School LEP | 84.369A | 69552402 | 2,727 |

FERRIS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT K-1

| (1) | (2) | (2A) | (3) |
|---|----------------|--|----------------------------|
| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal ALN | Pass-Through Entity Identifying Number | Federal Expenditures |
| Title IV, Part A, Subpart 1 | 84.424A | 25680101057950 | \$ 41,697 |
| Elementary and Secondary School Emergency Relief Fund (TCLAS ESSER III - COVID 19) | 84.425U | 21528042070905 | 90,627 |
| Elementary and Secondary School Emergency Relief Fund (ESSER III-COVID 19) | 84.425U | 21528001070905 | 54,848 |
| Total ALN 84.425U | | | <u>145,475</u> |
| Elementary and Secondary School Emergency Relief Fund (ESSER III - Homeless Children and Youth-COVID 19) | 84.425W | 21533002070905 | 14,978 |
| Total ALN 84.425 | | | <u>160,453</u> |
| Total Passed Through State Department of Education | | | <u>1,088,294</u> |
| Total U. S. Department of Education | | | <u>1,088,294</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 4,212,038</u></u> |

FERRIS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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

Reconciliation

The following table reconciles expenditures per the Schedule of Expenditures of Federal Awards to the federal program revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds and per the Statement of Revenues, Expenditures and Changes in Fund Net Position - Proprietary Funds:

| | |
|--|---------------------|
| Federal Program Revenues - Exhibit C-2 | \$ 1,865,709 |
| Federal Program Revenues - Exhibit D-2 | 2,521,491 |
| Less: SHARS | (175,162) |
| Total Expenditure of Federal Awards | <u>\$ 4,212,038</u> |

FERRIS INDEPENDENT SCHOOL DISTRICT

EXHIBIT L-1

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS AS OF JUNE 30, 2025

| Data Control Codes | | Responses |
|--------------------------|---|-------------|
| SF1 | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole? | Yes |
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end? | No |
| SF3 | Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) | Yes |
| | 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. | |
| 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 | \$1,120,528 |