

HOOKS INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
AUGUST 31, 2025**



HOOKS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2025

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CERTIFICATE OF BOARD

Hooks Independent School District
Name of School District

Bowie
County

019-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2025 at a meeting of the Board of Trustees of such school district on the 27th day of January 2026.

Kathy Allen
Signature of Board Secretary

[Signature]
Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is(are):
(attach list as necessary)

**UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION INCLUDING THE SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

Independent Auditors' Report

Board of Trustees
Hooks Independent School District
100 E. 5th Street
Hooks, TX 75561

Members of the Board:

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter — Change in Accounting Principle

As discussed in Note I to the financial statements, during the year ended August 31, 2025, the District implemented **GASB Statement No. 101, *Compensated Absences***. As a result, beginning net position was restated to recognize compensated absences in accordance with the new standard. 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 on pages 5-11, budgetary comparison information on page 50, schedule of the District's proportionate share of the net pension liability (TRS) on pages 51-52, schedule of District contributions to TRS on pages 53-54, schedule of the District's proportionate share of the OPEB liability (TRS) on pages 55-56, and schedule of District contributions to TRS OPEB plan on pages 57-58 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 Hooks Independent School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises of reports required from Texas Education Agency identified in the Table of Contents as J-1 through J-4, and L-1. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026, on our consideration of the Hooks 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 Hooks 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 Hooks Independent School District's internal control over financial reporting and compliance.

Wilf & Henderson, P.C.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

January 22, 2026

HOOKS INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Hooks Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2025. Please read it in conjunction with the independent auditors' report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

The District's net position was \$19,576,469 at August 31, 2025. Program revenues accounted for \$2,393,941 or 14.45% of total revenue, and general revenues accounted for \$14,178,363 or 85.55%.

During the year, the District had expenses that were \$2,048,571, less than the \$16,572,304 generated in tax and other revenues for governmental programs.

On Exhibit C-1, the general fund reported a positive fund balance of \$7,762,610.

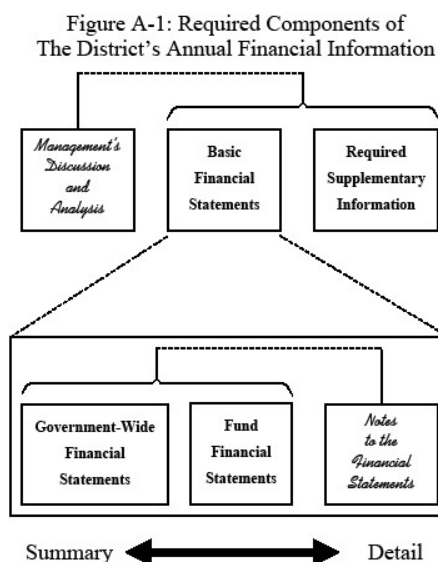
USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.



Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

Figure A-2: Major Features of the District's Government-Wide and Fund Financial Statements				
-----Fund Statements-----				
Type of Statements	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's Governmental (except Fiduciary Funds) and the Agency's Component Units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: such as self-insurance	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Position	*Balance Sheet	*Statement of Net Position	*Statement of Fiduciary Net Position
		*Statement of revenues, expenditures and changes in fund balances	*Statement of revenues, expenditures and changes in fund balances	*Statement of Changes in Fiduciary Net Position
	*Statement of Activities		*Statement of cash flows	
Accounting Basis And Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	All assets and liabilities, both financial and capital, short-term and long-term	Accrual accounting and economic resources focus.
Type of Asset/Liability Information	All asset and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term, the Agency's funds do not currently contain capital assets, but they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District's activities are presented as:

Governmental activities—most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District accounts for activities using governmental funds.

Governmental funds—most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Table I
Hooks Independent School District
NET POSITION

	Governmental Activities 2025	Governmental Activities 2024	Total % Change
Current and other assets	20,442,954	21,685,676	-5.73%
Capital assets	23,007,746	20,689,872	11.20%
Total assets	<u>43,450,700</u>	<u>42,375,548</u>	<u>2.54%</u>
Deferred Outflows of Resources	<u>2,554,642</u>	<u>3,517,795</u>	<u>-27.38%</u>
Other liabilities	765,502	907,895	-15.68%
Long term liabilities	17,064,742	17,400,589	-1.93%
TRS net pension liability	2,515,102	4,382,618	-42.61%
TRS net OPEB liability	1,960,734	1,973,722	-0.66%
Total liabilities	<u>22,306,080</u>	<u>24,664,824</u>	<u>-9.56%</u>
Deferred Inflows of Resources	<u>4,122,793</u>	<u>3,494,549</u>	<u>17.98%</u>
Net Position:			
Net Investment in Capital Assets	6,362,539	3,398,807	87.20%
Restricted	11,697,189	13,265,708	-11.82%
Unrestricted	<u>1,516,741</u>	<u>1,069,455</u>	<u>41.82%</u>
Total net position	<u><u>19,576,469</u></u>	<u><u>17,733,970</u></u>	<u><u>10.39%</u></u>

Net position of the District's governmental activities increased from \$17,733,970 to \$19,576,469. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$1,516,741 at August 31, 2025.

Table II
Hooks Independent School District
CHANGES IN NET POSITION

	Governmental Activities 2025	Governmental Activities 2024	Total % Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 451,163	\$ 442,405	1.98%
Operating grants and contributions	1,342,992	1,421,216	-5.50%
Capital grants and contributions	599,786	925,373	-35.18%
General Revenues:			
Maintenance and operations taxes	1,516,619	1,626,046	-6.73%
Debt Service Taxes	838,435	1,002,717	-16.38%
State Aid - Formula Grants	10,589,147	10,262,338	3.18%
Investment Earnings	948,666	1,182,178	-19.75%
Miscellaneous	280,253	183,915	52.38%
Total Revenue	<u>16,567,061</u>	<u>17,046,188</u>	<u>-2.81%</u>
Expenses:			
Instruction, curriculum and media services	7,077,797	7,394,221	-4.28%
Instructional and school leadership	1,051,606	1,179,561	-10.85%
Student support services	446,630	514,687	-13.22%
Child nutrition	678,104	654,807	3.56%
Co curricular activities	1,093,726	894,431	22.28%
General administration	680,149	591,069	15.07%
Facilities maintenance and data processing	1,845,909	1,895,074	-2.59%
Security and monitoring services	197,215	321,839	-38.72%
Data processing services	355,660	222,529	59.83%
Community services	5,447	9,170	-40.60%
Debt service	443,414	459,454	-3.49%
Payments to fiscal agent	608,586	607,639	0.16%
Other intergovernmental charges	39,490	42,550	-7.19%
Total Expenses	<u>14,523,733</u>	<u>14,787,031</u>	<u>-1.78%</u>
Special Item - Gain (Loss) on disposal of capital assets	5,243	(50,381)	110.41%
Increase (Decrease) in Net Position	2,048,571	2,208,776	-7.25%
Net Position - Beginning of Year	17,733,970	15,525,194	14.23%
Prior Period Adjustment	(206,072)	-	-100.00%
Net Position - End of Year	<u>\$ 19,576,469</u>	<u>\$ 17,733,970</u>	<u>10.39%</u>

The cost of all governmental activities this year was \$14,523,733. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$2,355,054 because some of the costs were paid by those who directly benefited from the programs \$451,163 or by other governments and organizations that subsidized certain programs with grants and contributions \$1,942,778 or by state aid and other revenues \$11,818,066.

THE DISTRICT'S FUNDS

Our analysis focuses on the net changes in fund balances (Table III) of the District's governmental funds.

Table III
Hooks Independent School District
NET CHANGES IN FUND BALANCES

	Governmental Funds 2025	Governmental Funds 2024	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 4,067,457	\$ 4,416,989	\$ (349,532)	-7.9%
State Program Revenues	11,959,617	11,382,604	577,013	5.1%
Federal Program Revenues	860,902	836,160	24,742	3.0%
Total Revenues	16,887,976	16,635,753	252,223	1.5%
Expenditures:				
Instruction	6,663,749	6,452,056	211,693	3.3%
Instructional resources & media services	94,149	92,539	1,610	1.7%
Curriculum and Instructional Staff Development	152,993	160,116	(7,123)	-4.4%
Instructional leadership	204,042	210,537	(6,495)	-3.1%
School leadership	830,303	823,119	7,184	0.9%
Guidance, counseling & evaluation services	289,022	303,771	(14,749)	-4.9%
Health services and student (pupil) transportation	156,161	144,694	11,467	7.9%
Food service	652,348	643,471	8,877	1.4%
Extracurricular activities	1,055,383	812,541	242,842	29.9%
General administration	763,492	575,817	187,675	32.6%
Facilities maintenance & operations	1,755,618	1,731,565	24,053	1.4%
Security & monitoring services	183,831	300,520	(116,689)	-38.8%
Data processing services	349,566	195,468	154,098	78.8%
Community services	5,076	8,562	(3,486)	-40.7%
Debt service	1,090,162	1,090,259	(97)	0.0%
Capital outlay	3,122,433	2,317,629	804,804	34.7%
Payments to fiscal agent/member districts of SSA	608,586	607,639	947	0.2%
Other intergovernmental charges	39,490	42,550	(3,060)	-7.2%
Total Expenditures	18,016,404	16,512,853	1,503,551	9.1%
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,128,428)	122,900	(1,251,328)	-1018.2%
Sale of Real and Personal Property	8,000	14,000	(6,000)	-42.9%
Transfers In	367,266	261,184	106,082	40.6%
Transfer out	(367,266)	(261,184)	(106,082)	-40.6%
Total Other Financing Sources (Uses)	8,000	14,000	(6,000)	-42.9%
Net Change in Fund Balances	(1,120,428)	136,900	(1,257,328)	-918.4%
Fund Balance - Beginning of Year	20,637,028	20,448,598	188,430	0.9%
Fund Balance - End of Year	\$ 19,516,600	\$ 20,585,498	\$ (1,068,898)	-5.2%

As the District completed the year, its governmental funds reported a combined fund balance of \$19,516,600, which is less than last year's total of \$20,585,498. Included in this year's total change in fund balance is an increase of \$442,170 in the District's General Fund, a decrease of (\$1,720,896) in the Capital Projects Fund, an increase of \$162,779 in the Debt Service Fund, and a decrease of (\$4,481) in other non-major funds.

The District's General Fund balance of \$7,762,610 differs by \$127,354 from the General Fund's budgetary fund balance of \$7,635,256 reported in the budgetary comparison schedule.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had \$23,007,746 of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. There was a net increase in capital assets of \$2,317,874 from last year due to current year additions exceeding depreciation expense.

During the current year, the District acquired a parcel of land for \$195,926. Additionally, the District invested \$311,136 in various improvements including safety doors, a press box addition, and roofing improvements. The District also purchased a range of equipment, such as a 2024 Suburban, 2025 Ford Transit, welding kits, and three used buses, with total equipment costs amounting to \$156,007.

In November 2022, the District appointed Altech, Inc. as its construction manager for projects funded through bond proceeds and managed with the Capital Projects Fund. On March 1, 2024 the District amended an agreement with Altech, Inc. to include the replacement of classroom buildings at Hooks Elementary and Junior High Schools, with a guaranteed minimum price of \$3,219,983. Change orders of (\$30,950) reduced the contract total to \$3,189,033. During the prior year, the District paid \$1,085,949 towards this amended contract and \$217,465 in architectural fees. In the current year, the District incurred \$2,103,084 related to this contract and \$25,070 in architectural fees. By year end, these projects were completed and reclassified to building and improvements in the amount of \$2,189,340 for the Elementary and \$1,242,228 for the Junior High.

During fiscal year 2024, the District began preparation for the construction of the High School gym and multipurpose facility. Architect fees of \$11,231 were incurred in the prior year. During fiscal year 2025 the District incurred \$6,718 in architect fees and \$111,968 in construction related to site preparation. A contract for the construction of the gym and multipurpose facility was signed subsequent to year end with a guaranteed minimum price of \$5,798,377. As of August 31, 2025, construction in progress reflects total project costs of \$129,917.

In fiscal year 2024, the District awarded an \$894,000 contract to JC Fence Company for the purchase and installation of security fencing at the Elementary, Junior High, High School, and Multipurpose Facility. In the prior year, project costs totaled \$754,087. In the current year, the District made payments to this contract in the amount of \$139,913 and incurred an additional \$228,618 for gates, electronic closers, and other costs. By year end, these projects were completed and reclassified to building and improvements in the amount of \$1,122,618.

During fiscal year 2024, the District disposed of a 2018 Dodge Caravan and 2018 Ford Transit.

More detailed information about the District's capital assets is represented in Note G of the financial statements.

Debt

At year-end, the District had outstanding bonds and notes of \$16,688,129, which was a decrease of (\$657,200). More detailed information about the District's debt is presented in Notes H, I and J to the financial statements

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many social and economic factors when setting the fiscal-year 2026 budget and set the tax rates according to the mandated maximum compressed rate set by the State.

These indicators were considered when adopting the General Fund budget for 2026. Amounts available for appropriation in the General Fund budget are \$14.248 million, an increase of 3.68 percent over the final 2025 budget of \$13.742 million. The expected increase in budgeted expenditures is due to the purchases of a district vehicles and property improvements to the District. The District has continued all programs and initiatives begun in prior years budgets, which are being funded by increased state allotments.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase by approximately \$227,000 at the close of 2026.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Hooks Independent School District, 100 E. 5th Street, Hooks, Texas 75561.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data		Primary Government
Control		Governmental
Codes		Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 18,907,315
1210	Property Taxes - Current	144,615
1220	Property Taxes - Delinquent	267,927
1230	Allowance for Uncollectible Taxes	(199,712)
1240	Due from Other Governments	1,303,711
1300	Inventories	19,098
	Capital Assets:	
1510	Land	770,272
1520	Buildings and Improvements, Net	21,018,431
1530	Furniture and Equipment, Net	908,326
1580	Construction in Progress	129,917
1590	Art and Collections	180,800
1000	Total Assets	43,450,700
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding	42,922
1705	Deferred Outflow Related to TRS Pension	967,109
1706	Deferred Outflow Related to TRS OPEB	1,544,611
1700	Total Deferred Outflows of Resources	2,554,642
LIABILITIES		
2110	Accounts Payable	178,099
2140	Accrued Interest Payable	22,481
2160	Accrued Wages Payable	560,314
2300	Unearned Revenue	4,608
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	547,071
	Due in More than One Year:	
2502	Bonds, Notes, Loans, Leases, etc.	16,517,671
2540	Net Pension Liability (District's Share)	2,515,102
2545	Net OPEB Liability (District's Share)	1,960,734
2000	Total Liabilities	22,306,080
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	1,171,101
2606	Deferred Inflow Related to TRS OPEB	2,951,692
2600	Total Deferred Inflows of Resources	4,122,793
NET POSITION		
3200	Net Investment in Capital Assets	6,362,539
	Restricted:	
3820	Restricted for Federal and State Programs	1,400
3850	Restricted for Debt Service	1,368,131
3860	Restricted for Capital Projects	10,308,560
3890	Restricted for Other Purposes	19,098
3900	Unrestricted	1,516,741
3000	Total Net Position	\$ 19,576,469

The notes to the financial statements are an integral part of this statement.

HOOKS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 6,822,603	\$ 360,943	\$ 551,032
12 Instructional Resources and Media Services	96,794	-	13,419
13 Curriculum and Instructional Staff Development	158,400	-	2,372
21 Instructional Leadership	206,759	-	6,101
23 School Leadership	844,847	-	22,048
31 Guidance, Counseling, and Evaluation Services	292,409	-	8,829
33 Health Services	122,427	-	4,102
34 Student (Pupil) Transportation	31,794	-	847
35 Food Services	678,104	40,643	568,884
36 Extracurricular Activities	1,093,726	49,577	12,834
41 General Administration	680,149	-	9,105
51 Facilities Maintenance and Operations	1,845,909	-	20,504
52 Security and Monitoring Services	197,215	-	112,154
53 Data Processing Services	355,660	-	10,761
61 Community Services	5,447	-	-
72 Debt Service - Interest on Long-Term Debt	438,414	-	-
73 Debt Service - Bond Issuance Cost and Fees	5,000	-	-
93 Payments Related to Shared Services Arrangements	608,586	-	-
99 Other Intergovernmental Charges	39,490	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 14,523,733	\$ 451,163	\$ 1,342,992

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
S1	Special Item - Gain on Disposal of Capital Assets
TR	Total General Revenues and Special Items
CN	Change in Net Position
NB	Net Position - Beginning as Previously Reported
PA	Adjustments and Restatements
	Net Position - Beginning as Restated and Adjusted
NE	Net Position - Ending

The notes to the financial statements are an integral part of this statement.

		Net (Expense) Revenue and Changes in Net Position	
5		6	
Capital Grants and Contributions		Governmental Activities	
\$	-	\$	(5,910,628)
	-		(83,375)
	-		(156,028)
	-		(200,658)
	-		(822,799)
	-		(283,580)
	-		(118,325)
	-		(30,947)
	-		(68,577)
	-		(1,031,315)
	-		(671,044)
	-		(1,825,405)
	599,786		514,725
	-		(344,899)
	-		(5,447)
	-		(438,414)
	-		(5,000)
	-		(608,586)
	-		(39,490)
\$	599,786		(12,129,792)

1,516,619
838,435
10,589,147
948,666
280,253
5,243
14,178,363
2,048,571
17,733,970
(206,072)
17,527,898
\$ 19,576,469

HOOKS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes		10 General Fund	60 Capital Projects	50 Debt Service Fund
ASSETS				
1110	Cash and Cash Equivalents	\$ 7,052,278	\$ 10,486,659	\$ 1,323,386
1210	Property Taxes - Current	92,250	-	52,365
1220	Property Taxes - Delinquent	207,341	-	60,586
1230	Allowance for Uncollectible Taxes	(153,986)	-	(45,726)
1240	Due from Other Governments	1,211,079	-	-
1300	Inventories	-	-	-
1000	Total Assets	<u>\$ 8,408,962</u>	<u>\$ 10,486,659</u>	<u>\$ 1,390,611</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ 178,099	\$ -
2160	Accrued Wages Payable	520,454	-	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	<u>520,454</u>	<u>178,099</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	<u>125,898</u>	<u>-</u>	<u>57,435</u>
2600	Total Deferred Inflows of Resources	<u>125,898</u>	<u>-</u>	<u>57,435</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	10,308,560	-
3480	Retirement of Long-Term Debt	-	-	1,333,176
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-
Assigned Fund Balance:				
3550	Construction	2,500,000	-	-
3600	Unassigned Fund Balance	<u>5,262,610</u>	<u>-</u>	<u>-</u>
3000	Total Fund Balances	<u>7,762,610</u>	<u>10,308,560</u>	<u>1,333,176</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,408,962</u>	<u>\$ 10,486,659</u>	<u>\$ 1,390,611</u>

The notes to the financial statements are an integral part of this statement.

Other Funds		Total Governmental Funds	
\$	44,992	\$	18,907,315
	-		144,615
	-		267,927
	-		(199,712)
	92,632		1,303,711
	19,098		19,098
<u>\$</u>	<u>156,722</u>	<u>\$</u>	<u>20,442,954</u>
\$	-	\$	178,099
	39,860		560,314
	4,608		4,608
	44,468		743,021
	-		183,333
	-		183,333
	19,098		19,098
	1,400		1,400
	-		10,308,560
	-		1,333,176
	91,756		91,756
	-		2,500,000
	-		5,262,610
	112,254		19,516,600
<u>\$</u>	<u>156,722</u>	<u>\$</u>	<u>20,442,954</u>

HOOKS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2025

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 19,516,600
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$33,525,255 and the accumulated depreciation was (\$12,835,383). In addition, long-term liabilities of (\$15,895,001), including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	4,794,871
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase net position.	3,833,440
3 Included in the items related to the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$967,109, a deferred resource inflow in the amount of (\$1,171,101), and a net pension liability in the amount of (\$2,515,102). This resulted in a (decrease) in net position.	(2,719,094)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$1,544,611, a deferred resource inflow in the amount of (\$2,951,692), and a net OPEB liability in the amount of (\$1,960,734). This resulted in a (decrease) in net position.	(3,367,815)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.	(957,809)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.	(1,523,724)
29 Net Position of Governmental Activities	\$ 19,576,469

The notes to the financial statements are an integral part of this statement.

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

Data Control Codes	10 General Fund	60 Capital Projects	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 2,377,285	\$ 525,945	\$ 965,668
5800 State Program Revenues	10,857,730	-	287,273
5900 Federal Program Revenues	27,188	-	-
5020 Total Revenues	13,262,203	525,945	1,252,941
EXPENDITURES:			
Current:			
0011 Instruction	6,267,049	-	-
0012 Instructional Resources and Media Services	83,188	-	-
0013 Curriculum and Instructional Staff Development	152,993	-	-
0021 Instructional Leadership	204,042	-	-
0023 School Leadership	823,546	-	-
0031 Guidance, Counseling, and Evaluation Services	289,022	-	-
0033 Health Services	120,623	-	-
0034 Student (Pupil) Transportation	35,538	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	929,288	-	-
0041 General Administration	763,492	-	-
0051 Facilities Maintenance and Operations	1,755,618	-	-
0052 Security and Monitoring Services	71,677	-	-
0053 Data Processing Services	349,566	-	-
0061 Community Services	5,076	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	-	-	555,000
0072 Interest on Long-Term Liabilities	-	-	530,162
0073 Bond Issuance Cost and Fees	-	-	5,000
Capital Outlay:			
0081 Facilities Acquisition and Construction	275,806	2,246,841	-
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	608,586	-	-
0099 Other Intergovernmental Charges	39,490	-	-
6030 Total Expenditures	12,774,600	2,246,841	1,090,162
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	487,603	(1,720,896)	162,779
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	8,000	-	-
7915 Transfers In	313,833	-	-
8911 Transfers Out (Use)	(367,266)	-	-
7080 Total Other Financing Sources (Uses)	(45,433)	-	-
1200 Net Change in Fund Balances	442,170	(1,720,896)	162,779
0100 Fund Balance - September 1 (Beginning)	7,320,440	12,029,456	1,170,397
1300 Adjustments and Restatements	-	-	-
as Restated and Adjusted	7,320,440	12,029,456	1,170,397
3000 Fund Balance - August 31 (Ending)	\$ 7,762,610	\$ 10,308,560	\$ 1,333,176

The notes to the financial statements are an integral part of this statement.

Other Funds		Total Governmental Funds	
\$	198,559	\$	4,067,457
	814,614		11,959,617
	833,714		860,902
	1,846,887		16,887,976
	396,700		6,663,749
	10,961		94,149
	-		152,993
	-		204,042
	6,757		830,303
	-		289,022
	-		120,623
	-		35,538
	652,348		652,348
	126,095		1,055,383
	-		763,492
	-		1,755,618
	112,154		183,831
	-		349,566
	-		5,076
	-		555,000
	-		530,162
	-		5,000
	599,786		3,122,433
	-		608,586
	-		39,490
	1,904,801		18,016,404
	(57,914)		(1,128,428)
	-		8,000
	53,433		367,266
	-		(367,266)
	53,433		8,000
	(4,481)		(1,120,428)
	65,205		20,585,498
	51,530		51,530
	116,735		20,637,028
\$	112,254	\$	19,516,600

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (1,120,428)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase the change net position.	3,833,440
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) the change in net position.	(957,809)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) the change in net position.	(7,081)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$268,133. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling (\$229,872). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (increased) decreased the change in net position by (\$27,099). The net result is an increase in the change in net position.	11,162
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$61,915. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling (\$58,686). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense (increased) decreased the change in net position by \$286,058. The net result is an increase in the change in net position.	289,287
Change in Net Position of Governmental Activities	<u><u>\$ 2,048,571</u></u>

The notes to the financial statements are an integral part of this statement.

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

	Custodial Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 9,673
Total Assets	<u>9,673</u>
NET POSITION	
Restricted for Other Purposes	<u>9,673</u>
Total Net Position	<u><u>\$ 9,673</u></u>

The notes to the financial statements are an integral part of this statement.

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

	Custodial Fund
ADDITIONS:	
Received from Student Groups	\$ 29,315
Total Additions	<u>29,315</u>
DEDUCTIONS:	
Other Deductions	<u>30,796</u>
Total Deductions	<u>30,796</u>
Change in Fiduciary Net Position	(1,481)
Total Net Position September 1 (Beginning) as Previously Reported	<u>62,684</u>
Adjustments and Restatements	<u>(51,530)</u>
Total Net Position - Beginning as Restated	<u>11,154</u>
Total Net Position August 31 (Ending)	<u><u>\$ 9,673</u></u>

The notes to the financial statements are an integral part of this statement.

**HOOKS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025**

Note A. Summary of Significant Accounting Policies

Hooks Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in *Statement on Auditing Standards No. 76* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

During the year ended August 31, 2025, the District implemented **GASB Statement No. 101, *Compensated Absences***. The Statement establishes recognition and measurement guidance for employee leave benefits. As a result, the District now recognizes a liability for leave that is attributable to services already rendered and is probable of resulting in payment, either through cash settlement or time off that reduces future service requirement. The implementation of this standard resulted in a restatement of beginning net position to record compensated absences in accordance with the new guidance.

1. Reporting Entity

The Board of School Trustees has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Hooks Independent School District. The members of the Board of Trustees are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, *The Financial Reporting Entity*. There are no component units included within the reporting entity. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

2. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Hooks Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

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

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

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

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers them available if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

4. Fund Accounting

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses.

The District reports the following major governmental funds:

General Fund - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.

Capital Projects Fund – This governmental fund is established to account for proceeds, on the modified accrual basis, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, renovation, as well as furnishing and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Debt Service Fund – This governmental fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.

Additionally, the District reports the following fund types:

Governmental Fund Type:

Special Revenue Funds - The District accounts for resources restricted or committed to specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Food Service fund is the only required budgeted fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

Fiduciary Fund Type:

Fiduciary Funds – These funds are used to report student activity funds held by the District in a custodial capacity and the assets are for the benefit of the student organizations. The collections and disbursement amounts are controlled by a group which is governed by a representative student body.

5. Cash Equivalents

The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

6. Investments

Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Certificates of deposit are recorded at amortized cost.

7. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. The District records purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount.

8. Asset Capitalization and Useful Lives

Capital assets which include land, buildings and improvements, furniture and equipment, arts and collections, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

	<u>Years</u>
Buildings	50
Building Improvements	50
Vehicles	7
Furniture and Equipment	10

Inexhaustible assets such as arts and collections are not depreciable.

Depreciation of capital assets reported in the government-wide financial statements are allocated to the various governmental functions based on the proportionate share of total current year expenditures reported in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance.

9. Compensated Absences

The State of Texas has created a minimum personal leave program consisting of five days per year with no limit on accumulation and transferability amounts for every teacher regularly employed in Texas public schools.

It is the District's policy to permit employees to accumulate earned but unused leave benefits. Employees who complete their current contract and retire from Hooks Independent School District with a minimum of ten years of service are entitled to payment of their accumulated leave in a lump sum payment at rates set by the School Board. All unused leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

10. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental fund types the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses or debt expenditures.

11. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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 of more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

12. Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as following:

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

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District’s highest level of decision-making authority, the Board. Committed resources cannot be used for any other purposes unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amount the District intends to use for specific purposes as expressed by the Board or an official delegated with the authority. The Board has delegated the authority to assign fund balances to the Superintendent and Business Manager.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

13. Worker's Compensation Plan

Hooks Independent School District entered into an agreement with the Texas Educational Insurance Association to self-fund their workers' compensation plan. The agreement was effective September 1, 2001 and is administered by Claims Administrative Services, Inc. Prior to audit of the plan, the fixed cost amount for the District was \$24,052 and the loss fund maximum was \$73,030. The loss fund amount is for Hooks Independent School District's claims and for claims of other group members in excess of their loss fund maximum.

The Statement of Changes in Liability from 09/01/24 thru 08/31/25 is as follows:

	01/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Unpaid claims at 9/1/24	14,176	2,566	987	8,172	15,705	3,039	41,845	-	86,490
Incurred Claims:									
Provisions for insured events of the current year	-	-	-	-	-	-	-	11,939	11,939
Increases (decreases) in provision for insured events of the prior years	(3,074)	(141)	(127)	(404)	(4,243)	(424)	(22,093)	-	(30,506)
Total incurred claims	(3,074)	(141)	(127)	(404)	(4,243)	(424)	(22,093)	11,939	(18,567)
Payments:									
Claims attributable to insured events of the current year	-	-	-	-	-	-	-	1,408	1,408
Claims attributable to insured events of the prior years	640	144	34	164	703	651	8,941	-	11,277
Total payments	640	144	34	164	703	651	8,941	1,408	12,685
Total unpaid claims 8/31/25*	10,462	2,281	826	7,604	10,759	1,964	10,811	10,531	55,238
*Minimum amount to be encumbered.									
Calculation of this amount allows for estimated claims Incurred But Not Reported (IBNR)	2,582	1,226	411	1,272	4,180	1,657	8,269	8,016	27,613

14. Risk Management - Claims and Judgments

In the normal course of operations, the District is exposed to risks of loss from a number of sources including fire and casualty losses, errors or omissions by board members and employees, and injuries to employees during the course of performing their duties. The District attempts to cover these losses by the purchase of insurance. Significant losses are covered by commercial insurance for property and liability programs. The District entered into an agreement with the Texas Educational Insurance Association to participate in their workers' compensation program. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

In management's estimation there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

15. Restricted Assets

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

16. Functions

School Districts are required to report all expenses by function, except certain indirect expenses. General administration, data processing service and other intergovernmental charges functions (data control codes 41, 53, and 99 respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

17. Data Control Codes

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

18. Estimates and Assumptions

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

19. 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.

20. Other Post-Employment Benefit

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

Note B. Stewardship, Compliance and Accountability

Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports appear in Exhibit J-2 and J-3.

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

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can only be amended at the function and fund level 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end.

Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were as follows:

General Fund:

Increase in revenues - Local and Intermediate Sources	409,400
Increase in revenues - State Program Revenues	840,500
Increase in revenues - Federal Program Revenues	5,000
(Increase) in expenditures Function 11 - Instruction	(541,235)
(Increase) in expenditures Function 12 - Instructional Resources and Media Services	(900)
(Increase) in expenditures Function 13 - Curriculum and Instructional Staff Development	(28,420)
Decrease in expenditures Function 21 - Instructional Leadership	11,900
(Increase) in expenditures Function 23 - School Leadership	(20,455)
(Increase) in expenditures Function 31 - Guidance, Counseling, and Evaluation Services	(3,350)
(Increase) in expenditures Function 33 - Health Services	(3,515)
Decrease in expenditures Function 34 - Student (Pupil) Transportation	8,725
(Increase) in expenditures Function 36 - Cocurricular	(144,500)
(Increase) in expenditures Function 41 - General Administration	(105,200)
(Increase) in expenditures Function 51 - Plant Maintenance & Operation	(43,350)
Decrease in expenditures Function 52 - Security and Monitoring Services	11,000
(Increase) in expenditures Function 53 - Data Processing Services	(180,000)
(Increase) in expenditures Function 81 - Facilities Acquisition and Construction	(124,100)
Decrease in expenditures Function 93 - Fiscal Agent	11,800
Increase in other financing sources - Sale of Real and Personal Property	32,500
Increase in other financing sources - Transfers In	60,000
(Increase) in other financing uses - Transfers Out	(130,000)
	<u>65,800</u>

Food Service Fund

Increase in revenues - Federal Program Revenues	43,000
(Increase) in expenditures Function 35 - Food Service	(102,000)
Increase in other financing sources - Transfers In	60,000
	<u>1,000</u>

Each budget 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.

The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures in excess of NSLP, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget Nonmajor Governmental Special Revenue Funds is as follows:

	08/31/25 <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	20,498
Nonappropriated Budget Funds	<u>91,756</u>
All Nonmajor Governmental Special Revenue Funds	<u><u>112,254</u></u>

Note C. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits:

Custodial Credit Risk for Deposits -State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

The captions and amounts of cash and cash equivalents on the Balance Sheet and Statement of Fiduciary Net Position at August 31, 2025 consist of the following:

	General Fund	Capital Projects	Debt Service Fund	Special Revenue Funds	Balance Sheet Total	Fiduciary Funds
Cash and Cash Equivalents	1,560,107	-	11,882	44,992	1,616,981	9,673
Investments in Pools	<u>5,492,171</u>	<u>10,486,659</u>	<u>1,311,504</u>	<u>-</u>	<u>17,290,334</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>7,052,278</u>	<u>10,486,659</u>	<u>1,323,386</u>	<u>44,992</u>	<u>18,907,315</u>	<u>9,673</u>

The District's cash deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) at August 31, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The District's cash deposits were collateralized during the year ending August 31, 2025.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Public Funds Investment Act (PFIA) governs the District's investment policies and type of investments.

The District's management believes that it complied with the requirements of the PFIA and the District's investment policies.

As of August 31, 2025, Hooks Independent School District had the following investments:

<u>Investment Type:</u>	<u>Amortized Cost</u>
TexPool Investment Pools	46,738
Lone Star Investment Pools -	
Corporate Overnight Fund	4,363
Government Overnight Fund	6,862
Corporate Overnight Plus Fund	<u>17,232,371</u>
Total Investment Pools	<u>17,290,334</u>

The Texas Local Government Investment Pool ("TexPool") and the Lone Star Investment Pool ("Lone Star") are 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](#). The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company ("Trust Company"), which is authorized to operate TexPool.

Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers Inc. and Federated Investor's, Inc., under an agreement with the Comptroller, acting on behalf of the Trust Company. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, this Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

Lone Star's Advisory Board is composed of participants and other knowledgeable individuals representing public schools, public junior colleges, cities, counties, and other local governments. The purpose of the Advisory Board is to gather and exchange information from participants and nonparticipants relating to the operation of Lone Star Investment Pool. Lone Star employs an independent third-party bank, Mellon Bank, to perform custody and valuation services. Investment advisory services are provided by Standish Mellon and AMR Investments. An independent auditor, Ernst & Young LLP, provides an annual audit of Lone Star's financial statements.

Additional policies and contractual provisions governing deposits and investments for Hooks Independent School District are specified below:

Credit Risk- To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposits; fully collateralized repurchase agreements that have a defined termination date and secured by obligations of the United States or its agencies and instrumentalities; public funds investment pools; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States rated not less than A or its equivalent issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2025, the District's investments in public funds investment pools were rated AAAm by Standard & Poor's.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires invested instruments maturities do not exceed one year from the time of purchase except when a longer maturity may be specifically authorized by the Board for a given investment provided legal limits are not exceeded.

Note D. 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 located in the District in conformity with Subtitle E, Texas Property Tax Code. The assessed value of the roll on January 1, 2024 upon which the levy for the 2025 fiscal year was based was \$207,072,674. The tax rates levied for the year ended August 31, 2025 to finance General Fund operations and the payment of principal and interest on general obligations long-term debt were \$0.7575 and \$0.4300 per \$100 per valuation respectively, for a total of \$1.1875 per \$100 valuation.

Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they are collected.

Note E. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance (General Fund) and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Fund and Debt Service Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Note F. Disaggregation of Receivables and Payables

Receivables at August 31, 2025, were as follows:

	Property Taxes	Other Governments	Total Receivables
Governmental Activities:			
General Fund	299,591	1,211,079	1,510,670
Debt Service	112,951	-	112,951
Nonmajor Governmental Funds (Special Revenue)	-	92,632	92,632
Total - Governmental Activities	<u>412,542</u>	<u>1,303,711</u>	<u>1,716,253</u>
Amounts not scheduled for collection during the subsequent year	<u>(199,712)</u>	<u>-</u>	<u>(199,712)</u>

Payables at August 31, 2025, were as follows:

	Accounts Payable	Salaries/ Benefits	Total Payables
Governmental Activities:			
General Fund	-	520,454	520,454
Capital Projects Fund	178,099	-	178,099
Nonmajor Governmental Funds (Special Revenue)	-	39,860	39,860
Total - Governmental Activities	<u>178,099</u>	<u>560,314</u>	<u>738,413</u>

Note G. Capital Asset Activity

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Land	\$ 574,346	\$ 195,926	\$ -	\$ 770,272
Art and Collections	180,800	-	-	180,800
Building and Improvements	28,199,817	311,136	4,554,186	33,065,139
Furniture and Equipment	2,501,560	156,007	(52,795)	2,604,772
Construction in Progress	2,068,732	2,615,371	(4,554,186)	129,917
Totals at Historic Cost	33,525,255	3,278,440	(52,795)	36,750,900
Less Accumulated Depreciation for:				
Buildings and Improvements	11,244,271	802,437	-	12,046,708
Furniture and Equipment	1,591,112	155,372	(50,038)	1,696,446
Total Accumulated Depreciation	12,835,383	957,809	(50,038)	13,743,154
Governmental Activities:				
Land	574,346	195,926	-	770,272
Art and Collections	180,800	-	-	180,800
Building and Improvements, Net	16,955,546	(491,301)	4,554,186	21,018,431
Furniture and Equipment, Net	910,448	635	(2,757)	908,326
Construction in Progress	2,068,732	2,615,371	(4,554,186)	129,917
Capital Assets, Net	\$ 20,689,872	\$ 2,320,631	\$ (2,757)	\$ 23,007,746

During the current year, the District acquired a parcel of land for \$195,926. Additionally, the District invested \$311,136 in various improvements including safety doors, a press box addition, and roofing improvements. The District also purchased a range of equipment, such as a 2024 Suburban, 2025 Ford Transit, welding kits, and three used buses, with total equipment costs amounting to \$156,007.

In November 2022, the District appointed Altech, Inc. as its construction manager for projects funded through bond proceeds and managed with the Capital Projects Fund. On March 1, 2024 the District amended an agreement with Altech, Inc. to include the replacement of classroom buildings at Hooks Elementary and Junior High Schools, with a guaranteed minimum price of \$3,219,983. Change orders of (\$30,950) reduced the contract total to \$3,189,033. During the prior year, the District paid \$1,085,949 towards this amended contract and \$217,465 in architectural fees. In the current year, the District incurred \$2,103,084 related to this contract and \$25,070 in architectural fees. By year end, these projects were completed and reclassified to building and improvements in the amount of \$2,189,340 for the Elementary and \$1,242,228 for the Junior High.

During fiscal year 2024, the District began preparation for the construction of the High School gym and multipurpose facility. Architect fees of \$11,231 were incurred in the prior year. During fiscal year 2025 the District incurred \$6,718 in architect fees and \$111,968 in construction related to site preparation. A contract for the construction of the gym and multipurpose facility was signed subsequent to year end with a guaranteed minimum price of \$5,798,377. As of August 31, 2025, construction in progress reflects total project costs of \$129,917.

In fiscal year 2024, the District awarded an \$894,000 contract to JC Fence Company for the purchase and installation of security fencing at the Elementary, Junior High, High School, and Multipurpose Facility. In the prior year, project costs totaled \$754,087. In the current year, the District made payments to this contract in the amount of \$139,913 and incurred an additional \$228,618 for gates, electronic closers, and other costs. By year end, these projects were completed and reclassified to building and improvements in the amount of \$1,122,618. Fencing projects were funded through a state security grant.

During fiscal year 2025, the District disposed of a 2018 Dodge Caravan and 2018 Ford Transit.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	485,157
Instructional Resources and Media Services	6,854
Curriculum and Instrumental Staff Development	11,138
Instructional Leadership	14,855
School Leadership	60,451
Guidance, Counseling & Evaluation Services	21,042
Health Services	8,782
Student (Pupil) Transportation	2,587
Food Services	47,495
Cocurricular/Extracurricular Activities	76,838
General Administration	55,586
Plant Maintenance and Operations	127,818
Security Monitoring	13,384
Data Processing Services	25,451
Community Services	371
Total Depreciation Expense - Governmental Activities	<u>957,809</u>

Note H. Bonds Payable and Debt Service Requirements

On February 9, 2012, Hooks Independent School District issued \$2,635,000 of Unlimited Tax Refunding Bonds, Series 2012 to redeem the Unlimited Tax School Building Bonds, Series 2002. This issue was comprised of \$2,635,000 Current Interest Bonds with interest rates between 1.0-3.0% maturing annually from February 15, 2013 through 2027.

On March 16, 2016, the District issued \$4,760,000 of Unlimited Tax Refunding Bonds, Series 2016 to refund \$4,910,000 of the Current Interest Series 2008 Refunded Bonds and Series 2010 Refunded Bonds outstanding. The Series 2016 issue was comprised of \$4,760,000 of Current Interest Bonds with interest rates ranging from 2.75% to 4.00% maturing annually from February 15, 2018 through 2033.

In 2022, the District issued \$12,425,000 of Unlimited Tax School Building Bonds, Series 2022 to (a) acquire, construct, renovate, and equipping school facilities and an indoor practice facility and (b) to pay the costs of issuing the bonds. The Series 2022 issue was comprised of Current Interest Bonds with interest rates ranging from 2.0% to 3.5% maturing annually from February 15, 2028 through 2052.

A summary of changes in bonded debt for the year ended August 31, 2025 is as follows:

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 09/01/24	Bonds Issued/ Accretion	Bonds Retired	Amounts Outstanding 08/31/25
Unlimited Tax Refunding Bonds						
Series 2012, Current Interest Bonds maturing February 15, 2013-2027	1.0-3.0%	2,635,000	925,000	-	160,000	765,000
Unlimited Tax Refunding Bonds						
Series 2016, Current Interest Bonds maturing February 15, 2018-2033	2.75-4.0%	4,760,000	2,545,001	-	395,000	2,150,001
Unlimited School Building Bonds						
Series 2022, Current Interest Bonds maturing February 15, 2028-2052	2.0-3.5%	12,425,000	12,425,000	-	-	12,425,000
			<u>15,895,001</u>	<u>-</u>	<u>555,000</u>	<u>15,340,001</u>

In the governmental fund financial statements, the current expenditures for principal and interest expenditures are accounted for in the Debt Service Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance. During the year ended August 31, 2025, the District paid \$555,000 in principal, \$530,162 in interest, and \$5,000 in fees.

Bonded debt service requirements are as follows:

Year Ended <u>August 31</u>	<u>Unlimited Tax School Building and Refunding Bonds</u>		
	Principal	Interest	Total Requirements
2026	505,000	519,862	1,024,862
2027	525,000	503,412	1,028,412
2028	330,000	486,862	816,862
2029	355,000	476,262	831,262
2030	365,000	465,062	830,062
2031-2035	2,075,000	2,125,186	4,200,186
2036-2040	2,605,000	1,659,650	4,264,650
2041-2045	3,175,000	1,086,675	4,261,675
2046-2050	3,745,000	515,875	4,260,875
2051-2052	1,660,001	45,925	1,705,926
	<u>15,340,001</u>	<u>7,884,771</u>	<u>23,224,772</u>

In the government-wide financial statements, bonded indebtedness of the District is reflected in the Statement of Net Position. Premium on issuance of bonds, net of accumulated amortization, totaled \$1,348,128 at August 31, 2025. Amortization of \$102,200 is reflected in the Statement of Activities for the year ended August 31, 2025.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2025. Hooks Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and material Event Notices to the State Information Depository of Texas (SID), 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 Hooks Independent School District.

Note I. Accumulated Leave Benefits Payable and Prior Period Adjustment

Employees earn state personal leave which may either be taken or accumulated. Employees who complete their current contract and retire from Hooks ISD with a minimum of 10 years of service are entitled to payment of their accumulated state personal leave in a lump sum payment at rates set by the School Board. The summary of changes in the liability are as follows:

Balance September 1, 2024	55,260
Additions	400
Deductions	-
Balance August 31, 2025	<u>55,660</u>

Under the provisions of **GASB Statement No. 101, *Compensated Absences***, the District recognizes a liability for leave that is attributable to services already rendered, accumulates from period to period, and is probable of resulting in payment, either through cash settlement or time off that reduces future service requirements.

The liability for compensated absences includes amounts expected to be paid upon termination or retirement as well as benefits expected to be used for time off in lieu of additional pay. The liability is measured using the pay rates and benefit costs in effect at the reporting date.

The total compensated absences liability at August 31, 2025, consisted of the following components:

<u>Description</u>	<u>Amount</u>
Current portion - expected to be paid within one year	42,071
Long-term portion - expected to be paid after one year	278,882
Total compensated absences liability	\$ 320,953

The adoption of this standard resulted in the District's accounting for compensated absences, requiring the accrual of additional amounts for certain types of leave that were not previously recognized as liabilities. As a result, the beginning net position of the governmental activities as of September 1, 2024, was decreased by (\$257,602) to recognize the additional liability for compensate absences in accordance with the new standard. The comparative financial statements for the prior year have been restated to reflect this change in accounting principle.

<u>Description</u>	<u>Governmental Activities</u>
Net position, as previously stated	17,733,970
Cumulative effect of GASB 101	(257,602)
Net position, as restated	\$ 17,476,368

Note J. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	15,895,001	-	555,000	15,340,001	505,000
Bond Premium/Discount	1,450,328	-	102,200	1,348,128	-
Total Bonds and Notes Payable	17,345,329	-	657,200	16,688,129	505,000
Other Liabilities:					
Compensated Absences	312,862	63,751	-	376,613	42,071
TRS Net Pension Liability	4,382,618	-	1,867,516	2,515,102	-
TRS Net OPEB Liability	1,973,722	-	12,988	1,960,734	-
Total Other Liabilities	6,411,600	63,751	1,880,504	4,852,449	42,071
Total Governmental Activities					
Long-term Liabilities	23,756,929	63,751	2,537,704	21,540,578	547,071

Note K. Defined Benefit Pension Plan (TRS)

Plan Description. Hooks Independent School District participates in a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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.

Pension Plan Fiduciary Net Position. Detail 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/learning-resources/publications>; by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX 78714-0185, or by calling [1-800-223-8778](tel:1-800-223-8778).

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

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 stipend to eligible annuitants age 70 to 74.

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

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

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 thru 2025.

Contribution Rates

	<u>2024</u>	<u>2025</u>
Member (Employees)	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employer (District)	8.25%	8.25%
 HISD Member Contributions	 600,501	 631,760
HISD Employer Contributions	229,872	268,133
HISD NECE On-Behalf Contributions	388,692	473,784

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public 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 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

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

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

Net Pension Liability. Components of the net pension liability of the plan as of August 31, 2024 are disclosed below:

<u>Components of Liability</u>	<u>Amount</u>
Total Pension Liability	\$ 271,627,434,294
Less: Plan Fiduciary Net Position	(210,543,258,495)
Net Pension Liability	\$ 61,084,175,799
Net Position as Percentage of Total Pension Liability	77.51%

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% - The source for the rate is the Bond Buyers 20 Index which represented the estimated yeild of a portfolio of 20 general obligation bonds maturing in 20 years based on a survery of municipal bond traders.
Last year ending August 31 in	
Projection Period (100) years	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2023.

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

Based on 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 percent. The long-term expected rate of return on pension 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	18.0%	4.4%	1.00%
Non-U.S. Developed	13.0%	4.2%	0.80%
Emerging Markets	9.0%	5.2%	0.70%
Private Equity	14.0%	6.7%	1.20%
Stable Value			
Government Bonds	16.0%	1.9%	0.40%
Stable Value Hedge Funds	5.0%	3.0%	0.20%
Absolute Return*	0.0%	4.0%	0.00%
Real Return			
Real Estate	15.0%	6.6%	1.20%
Energy, Natural Resources & Infrastructure	6.0%	5.6%	0.40%
Commodities	0.0%	2.5%	0.00%
Risk Parity			
Risk Parity	8.0%	4.0%	0.40%
Asset Allocation Leverage			
Cash	2.0%	1.0%	0.00%
Asset Allocation Leverage	-6.0%	1.3%	-0.10%
Inflation Expectation			2.40%
Volatility Drag****			-0.70%
Total	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.

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%) in measuring the Net pension liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
HISD's proportionate share of the net pension liability	4,017,254	2,515,102	1,270,461

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2025, Hooks ISD reported a liability of \$2,515,102 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to Hooks ISD. The amount recognized by Hooks ISD 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 Hooks ISD were as follows:

District's proportionate share of the collective net pension liability	\$ 2,515,102
State's proportionate share that is associated with the District	<u>5,135,558</u>
Total	<u>\$ 7,650,660</u>

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

On August 31, 2024 the employer's proportion of the collective net pension liability was 0.0041174355%, which was an increase (decrease) of (0.0022628178%) from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

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

The 2023 Taxes 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.

The amount of pension expense recognized by (Employer) in the reporting period was \$870,756.

For the year ended August 31, 2025, Hooks School recognized pension expense of \$870,756 and revenue of \$613,785 for support provided by the State.

At August 31, 2025, Hooks School 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
Difference between expected and actual economic experience	\$ 138,629	\$ 19,637
Changes in actuarial assumptions	129,860	17,410
Difference between projected and actual investment earnings	15,288	-
Changes in proportion and difference between the employer contributions and the proportionate share of contributions	415,199	1,134,054
Total as of August 31, 2024 measurement date	\$ 698,976	\$ 1,171,101
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability (to be calculated by employer)	268,133	-
Total as of August 31, 2025 fiscal year-end	\$ 967,109	\$ 1,171,101

Hooks Independent School District recognized \$967,109 as deferred outflows of resources related to pensions resulting from Hooks Independent School 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, 2024. The other amounts of the employer's balances of deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2025	\$ (91,243)
2026	175,088
2027	(129,358)
2028	(300,176)
2029	(126,435)
Thereafter	(1)
	<u>\$ (472,125)</u>

Note L. Defined Other Post-Employment Benefit Plans

Plan Description. Hooks Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost sharing defined 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.

OPEB Plan Fiduciary Net Position. Detail information about 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 <http://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at P.O. BOX 149676, Austin, TX 78714-0185; or by calling (800) 223-8778.

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

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

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

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

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.

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of pay. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	<u>2024</u>	<u>2025</u>
Active Employee	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%
 HISD Member Contributions	 47,316	 49,774
HISD Employer Contributions	58,686	61,915
HISD NECE On-behalf Contributions	93,321	73,525

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.

Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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 Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Aging Factors	Third-party administrative expenses related to the delivery of health care benefits are included in the age- adjusted claims costs.
Expenses	
Salary Increases	2.95% to 8.95%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate: A single discount rate of 3.87 percent was used to measure the total OPEB liability. This was a decrease of 0.26 percent in the discount rate since the previous year.

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

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

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

	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
HISD's proportionate share of the Net OPEB Liability	2,329,443	1,960,734	1,662,811

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	Current Single Healthcare Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	1,596,726	1,960,734	2,435,071

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2025 the District reported a liability of \$1,960,734 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	\$ 1,960,734
State's proportionate share that is associated with the District	<u>2,456,773</u>
Total	<u>\$ 4,417,507</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 employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

On August 31, 2024 the employer's proportion of the collective Net OPEB Liability was 0.0064600812% which was an increase (decrease) of (0.0024553369%) from its proportion measured as of August 31, 2023.

Changes in 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 percent as of August 31, 2023 to 3.87 percent 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.

The amount of OPEB expense recognized by (Employer) in the reporting period was (\$546,707).

For the year ended August 31, 2025, Hooks Independent School District recognized OPEB expense of (\$546,707) and revenue of (\$319,335) for support provided by the State.

On August 31, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 375,807	\$ 978,512
Changes in actuarial assumptions	250,951	639,765
Difference between projected and actual investment earnings	-	5,490
Changes in proportion and difference between the employer contributions and the proportionate share of contributions	855,938	1,327,925
Total as of August 31, 2024 measurement date	\$ 1,482,696	\$ 2,951,692
Contributions paid to TRS subsequent to the measurement date of the Net OPEB Liability (to be calculated by employer)	61,915	-
Total as of August 31, 2025 fiscal year-end	\$ 1,544,611	\$ 2,951,692

Hooks Independent School District recognized \$1,544,611 as deferred outflows of resources related to OPEB resulting from Hooks Independent School 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, 2024. The other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2025	\$ (278,413)
2026	(189,608)
2027	(235,745)
2028	(205,265)
2029	(145,496)
Thereafter	(414,469)
	<u>\$ (1,468,996)</u>

Note M. Medicare Part D (TRS)

Federal Government Retiree Drug Subsidy - The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care receives payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity.

The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submission by reporting entities for the month of May. Any questions about payroll amounts should be directed to a reporting entity's payroll contact.

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Hooks Independent School District's employees were \$66,134 for the year ended August 31, 2025. State Contributions for Medicare Part D made on behalf of Hooks Independent School District's employees were \$38,697 for the year ended August 31, 2024. State Contributions for Medicare Part D made on behalf of Hooks Independent School District's employees were \$41,331 for the year ended August 31, 2023.

Note N. Health Care Coverage

During the year ended August 31, 2025 employees of Hooks Independent School District were covered by a uniform statewide health care program for public education employees. The District contributed \$225 per month, which includes the \$75 which is reimbursed by the state, per employee to the Plan. Employees, at their option, may authorize payroll withholdings to pay the remaining balance of the premium for employee coverage and/or dependents. All contributions/premiums were paid to the statewide health care program. The Plan was authorized by House Bill 3343 and will be administered by the Teacher Retirement System of Texas (TRS). The TRS board approved the selection of Blue Cross Blue Shield as the health plan administrator and Express Scripts as the pharmacy benefits manager for TRS-ActiveCare.

Note O. Commitments and Contingencies

Litigation - The District may be subjected to loss contingencies arising principally in the normal course of operations. In the opinion of the administration, the outcomes of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

Grant Programs - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of 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 at August 31, 2025 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 financial statements for such contingencies.

Note P. Deferred Outflows of Resources (Government-Wide Activities)

The following is a summary of changes in deferred outflows of resources - deferred charges on refunding for the year ended August 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance
Deferred charges on refundings	54,264	-	11,342	42,922

Deferred charges on refunding bond, net of accumulated amortization, totaled \$42,922 at August 31, 2025. Amortization of \$11,342 is reflected in the Statement of Activities for the year ended August 31, 2025.

Note Q. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes sat August 31, 2025 consisted of the following:

	General Fund	Debt Service Fund	Total
Net uncollected tax revenue	<u>125,898</u>	<u>57,435</u>	<u>183,333</u>

Note R. Due From/To Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from/to federal and state governments as of August 31, 2025 are summarized below.

Fund	State Entitlements	Federal Grants	Total
Governmental Activities:			
<u>Due From Other Governments</u>			
General Fund	1,211,079	-	1,211,079
Nonmajor Governmental Funds (Special Revenue)	<u>19,066</u>	<u>73,566</u>	<u>92,632</u>
	<u>1,230,145</u>	<u>73,566</u>	<u>1,303,711</u>

Note S. Transfer In and Transfer Out

	Transfer In	Transfer Out
General Fund:		
Operating transfer in from General Fund	313,833	-
Operating transfer (out) to General Fund	-	313,833
Operating transfer (out) to Food Service Fund	-	53,433
	<u>313,833</u>	<u>367,266</u>
Food Service Fund:		
Operating transfer in from General Fund	53,433	-
	<u>53,433</u>	<u>-</u>
	<u>367,266</u>	<u>367,266</u>

The General Fund transferred \$313,833 to Co-curricular Funds and \$53,433 to Food Service Fund to subsidize operations of the food service fund.

Note. T. Shared Service Arrangements

The District participates in several Shared Service Arrangements (“SSA”) described as follows:

State Funded - New Boston ISD fiscal agent: The District participates in a State funded SSA which provides special education services and alternative education services to member districts. In addition to the District, other member districts include various other districts in Bowie County. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent.

State Funded - Bowie County Schools Transportation Department fiscal agent: The District participates in a state funded SSA which provides transportation services to member districts. In addition to the District, other member districts include all the districts in Bowie County. All services are provided by the fiscal agent. The Texas Education Agency and the member districts provide funds to the fiscal agent. Although a portion of the funding received by the fiscal agent from the Texas Education Agency is attributable to the District’s participation; the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The fiscal agent manager is responsible for all financial activities of the shared service arrangement.

The District has accounted for their portion of the payment of the activities of the SSA in the General Fund Function 93, Shared Services Arrangements, and has accounted for the payment using Model 3 in the SSA section of the Resource Guide. These payments totaled \$608,586 for the year ended August 31, 2025 and were as follows:

SSA - Special Education	420,801
SSA - Alternative Education	57,646
SSA - Transportation	129,139
SSA - School for the Deaf	1,000
	<u>608,586</u>

State and Federally Funded – New Boston ISD fiscal agent - The District participates in a state and federally funded SSA which provides special education services to member districts. In addition to the District other member districts include various other districts in Bowie County. All services are provided by the fiscal agent. The Texas Education Agency provides state and federal grant funds to the fiscal agent. Although a portion of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The fiscal agent is neither accumulating significant financial resources nor fiscal contingencies that would give rise to a future additional benefit or burden to Hooks Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The fiscal agent has accounted for the activities of the SSA using Model 2 in the SSA section of the Resource Guide.

The fiscal agent has accounted for the grant funds as follows:

SSA - State Funded Visually Impaired
SSA - Federally Funded IDEA, Part B Formula
SSA - Federally Funded IDEA, Part B Preschool

Note U. General Fund Federal Source Revenues

<u>Program or Source</u>	<u>AL Number</u>	<u>Amount</u>
Indirect Cost:		
ESEA Title I, Part A - Improving Basic Programs	84.010A	7,446
ESEA Title II, Part A - Supporting Effective Instruction	84.367A	1,187
ESEA Title IV, Part A, Subpart 1	84.424A	615
		<u>9,248</u>
SSA - School Health and Related Services (SHARS)		<u>17,940</u>
		<u>27,188</u>

Note V. Revenue from Local and Intermediate Sources

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

Revenue Sources	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Governmental Funds Total
Property taxes and tax related income	1,688,446	-	898,604	-	2,587,050
Investment income	350,467	525,945	67,064	5,190	948,666
Food service sales	-	-	-	40,330	40,330
Co-curricular	29,217	-	-	20,360	49,577
Gifts and bequests	42,297	-	-	7,915	50,212
Insurance recovery	24,144	-	-	-	24,144
Other local sources	242,714	-	-	124,764	367,478
	<u>2,377,285</u>	<u>525,945</u>	<u>965,668</u>	<u>198,559</u>	<u>4,067,457</u>

Note W. Prior Period Adjustment – Reclassification of Activity Funds

During the current year, the District identified that certain student activity fund balance previously reported in fiduciary funds did not meet the definition of a fiduciary activity under GASB Statement No. 84 and related implementation guidance. As a result, these balances were reclassified and are now reported in special revenue funds. Accordingly, beginning fund balance as of September 1, 2024 was restated to reflect the reclassification of \$51,530 from fiduciary funds to special revenue funds.

Fund	Increase (Decrease)
Special Revenue Funds (461)	51,530
Fiduciary Funds (865)	(51,530)

Note X. Summary of Prior Period Adjustments

As discussed in Notes I and W, the District recorded prior period adjustments to restate beginning balances of as of September 1, 2024. These adjustments resulted from (1) the reclassification of student activity fund balances from fiduciary funds to special revenue funds and (2) the implementation of GASB Statement No. 101.

The following table summarizes the effect of these restatements on the District's financial statements:

Description	Governmental Funds	Government-Wide
Reclassification of activity funds (Note W)	51,530	51,530
Implementation of GASB Statement No. 101 (Note I)	-	(257,602)
Total prior period adjustment	<u>51,530</u>	<u>(206,072)</u>

Note Z. Subsequent Events

Management evaluated subsequent events after the date of the balance sheet and prior to the release of these financial statements which was January 22, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,049,000	\$ 2,458,400	\$ 2,377,285	\$ (81,115)
5800	State Program Revenues	10,145,000	10,985,500	10,857,730	(127,770)
5900	Federal Program Revenues	21,000	26,000	27,188	1,188
5020	Total Revenues	12,215,000	13,469,900	13,262,203	(207,697)
EXPENDITURES:					
Current:					
0011	Instruction	5,785,329	6,326,564	6,267,049	59,515
0012	Instructional Resources and Media Services	89,812	90,712	83,188	7,524
0013	Curriculum and Instructional Staff Development	138,220	166,640	152,993	13,647
0021	Instructional Leadership	223,491	211,591	204,042	7,549
0023	School Leadership	808,248	828,703	823,546	5,157
0031	Guidance, Counseling, and Evaluation Services	289,820	293,170	289,022	4,148
0033	Health Services	122,835	126,350	120,623	5,727
0034	Student (Pupil) Transportation	60,777	52,052	35,538	16,514
0036	Extracurricular Activities	822,421	966,921	929,288	37,633
0041	General Administration	698,869	804,069	763,492	40,577
0051	Facilities Maintenance and Operations	1,794,594	1,837,944	1,755,618	82,326
0052	Security and Monitoring Services	108,400	97,400	71,677	25,723
0053	Data Processing Services	184,668	364,668	349,566	15,102
0061	Community Services	9,000	9,000	5,076	3,924
Capital Outlay:					
0081	Facilities Acquisition and Construction	158,000	282,100	275,806	6,294
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	626,000	614,200	608,586	5,614
0099	Other Intergovernmental Charges	45,500	45,500	39,490	6,010
6030	Total Expenditures	11,965,984	13,117,584	12,774,600	342,984
1100	Excess of Revenues Over Expenditures	249,016	352,316	487,603	135,287
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	32,500	8,000	(24,500)
7915	Transfers In	260,000	320,000	313,833	(6,167)
8911	Transfers Out (Use)	(260,000)	(390,000)	(367,266)	22,734
7080	Total Other Financing Sources (Uses)	-	(37,500)	(45,433)	(7,933)
1200	Net Change in Fund Balances	249,016	314,816	442,170	127,354
0100	Fund Balance - September 1 (Beginning)	7,320,440	7,320,440	7,320,440	-
3000	Fund Balance - August 31 (Ending)	\$ 7,569,456	\$ 7,635,256	\$ 7,762,610	\$ 127,354

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	FY 2025 <u>Plan Year 2024</u>	FY 2024 <u>Plan Year 2023</u>	FY 2023 <u>Plan Year 2022</u>
District's Proportion of the Net Pension Liability (Asset)	0.004117435%	0.006380253%	0.006871782%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,515,102	\$ 4,382,618	\$ 4,079,600
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,135,558	5,194,187	4,562,147
Total	<u>\$ 7,650,660</u>	<u>\$ 9,576,805</u>	<u>\$ 8,641,747</u>
District's Covered Payroll	\$ 7,279,459	\$ 7,619,483	\$ 7,457,416
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	34.55%	57.52%	54.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.51%	73.15%	75.62%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2024 for year 2025, August 31, 2023 for year 2024, August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, and August 31, 2015 for year 2016.

<u>FY 2022</u> <u>Plan Year 2021</u>	<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>
0.005431496%	0.004743085%	0.00493823%	0.004931952%	0.004704041%	0.00508392%	0.0059346%
\$ 1,383,210	\$ 2,540,300	\$ 2,567,046	\$ 2,714,666	\$ 1,504,099	\$ 1,921,138	\$ 2,097,802
2,400,825	5,172,832	4,422,664	4,668,837	2,908,968	3,689,961	3,755,905
<u>\$ 3,784,035</u>	<u>\$ 7,713,132</u>	<u>\$ 6,989,710</u>	<u>\$ 7,383,503</u>	<u>\$ 4,413,067</u>	<u>\$ 5,611,099</u>	<u>\$ 5,853,707</u>
\$ 7,141,272	\$ 6,758,723	\$ 5,918,703	\$ 5,639,365	\$ 5,572,987	\$ 5,772,915	\$ 6,042,510
19.37%	37.59%	43.37%	48.14%	26.99%	33.28%	34.72%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually Required Contribution	\$ 268,133	\$ 229,872	\$ 327,846
Contribution in Relation to the Contractually Required Contribution	(268,133)	(229,872)	(327,846)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 7,657,700	\$ 7,279,459	\$ 7,619,483
Contributions as a Percentage of Covered Payroll	3.50%	3.16%	4.30%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

2022	2021	2020	2019	2018	2017	2016
\$ 320,613	\$ 231,541	\$ 195,682	\$ 172,806	\$ 166,145	\$ 154,146	\$ 161,529
(320,613)	(231,541)	(195,682)	(172,806)	(166,145)	(154,146)	(161,529)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 7,457,416	\$ 7,141,272	\$ 6,758,723	\$ 5,918,703	\$ 5,639,365	\$ 5,572,987	\$ 5,772,915
4.30%	3.24%	2.90%	2.92%	2.95%	2.77%	2.80%

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.006460081%	0.008915418%	0.009431408%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,960,734	\$ 1,973,722	\$ 2,258,257
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	2,456,773	2,381,600	2,754,718
Total	\$ 4,417,507	\$ 4,355,322	\$ 5,012,975
District's Covered Payroll	\$ 7,279,459	\$ 7,619,483	\$ 7,457,416
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	26.94%	25.90%	30.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.70%	14.94%	11.52%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. For example, the amounts for FY 2025 are for the measurement date of August 31, 2024, etc.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2022 Plan Year 2021		FY 2021 Plan Year 2020		FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.008032107%		0.007612063%		0.007317783%		0.00718975%		0.006906506%	
\$	3,098,343	\$	2,893,689	\$	3,460,670	\$	3,589,908	\$	3,003,380
4,151,089		3,888,424		4,598,455		4,582,850		4,198,818	
\$	7,249,432	\$	6,782,113	\$	8,059,125	\$	8,172,758	\$	7,202,198
\$	7,141,272	\$	6,758,723	\$	5,918,703	\$	5,639,365	\$	5,572,987
43.39%		42.81%		58.47%		63.66%		53.89%	
6.18%		4.99%		2.66%		1.57%		0.91%	

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually Required Contribution	\$ 61,915	\$ 58,686	\$ 77,358
Contribution in Relation to the Contractually Required Contribution	(61,915)	(58,686)	(77,358)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 7,657,700	\$ 7,279,459	\$ 7,619,483
Contributions as a Percentage of Covered Payroll	0.81%	0.81%	1.02%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

	2022	2021	2020	2019	2018
\$	77,464	\$ 62,570	\$ 57,857	\$ 51,946	\$ 49,599
	(77,464)	(62,570)	(57,857)	(51,946)	(49,599)
\$	-	\$ -	\$ -	\$ -	\$ -
\$	7,457,416	\$ 7,141,272	\$ 6,758,723	\$ 5,918,703	\$ 5,639,365
	1.04%	0.88%	0.86%	0.88%	0.88%

**HOOKS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2025**

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

The Texas 2023 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.

Changes of Assumptions.

There were no changes in assumptions.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefits.

There were no changes in benefits.

Changes in Assumptions.

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

- The single discount rate changed from 4.13 percent as of August 31, 2023 to 3.87 percent 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.

COMBINING SCHEDULES

HOOKS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	289 Other Federal Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ (13,581)	\$ (10,473)	\$ (2,415)	\$ (1,229)
1240	Due from Other Governments	29,735	35,473	5,375	2,983
1300	Inventories	-	19,098	-	-
1000	Total Assets	<u>\$ 16,154</u>	<u>\$ 44,098</u>	<u>\$ 2,960</u>	<u>\$ 1,754</u>
LIABILITIES					
2160	Accrued Wages Payable	\$ 16,154	\$ 18,992	\$ 2,960	\$ 1,754
2300	Unearned Revenue	-	4,608	-	-
2000	Total Liabilities	<u>16,154</u>	<u>23,600</u>	<u>2,960</u>	<u>1,754</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	19,098	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	1,400	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>20,498</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 16,154</u>	<u>\$ 44,098</u>	<u>\$ 2,960</u>	<u>\$ 1,754</u>

410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ (12,782)	\$ (6,284)	\$ 91,756	\$ 44,992
12,782	6,284	-	92,632
-	-	-	19,098
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,756</u>	<u>\$ 156,722</u>
\$ -	\$ -	\$ -	\$ 39,860
-	-	-	4,608
<u>-</u>	<u>-</u>	<u>-</u>	<u>44,468</u>
-	-	-	19,098
-	-	-	1,400
-	-	91,756	91,756
-	-	91,756	112,254
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,756</u>	<u>\$ 156,722</u>

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

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	289 Other Federal Special Revenue Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 40,643	\$ -	\$ -
5800	State Program Revenues	-	10,176	-	-
5900	Federal Program Revenues	225,091	553,538	36,597	18,488
5020	Total Revenues	225,091	604,357	36,597	18,488
EXPENDITURES:					
Current:					
0011	Instruction	214,130	-	36,597	18,488
0012	Instructional Resources and Media Services	10,961	-	-	-
0023	School Leadership	-	-	-	-
0035	Food Services	-	652,348	-	-
0036	Extracurricular Activities	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	225,091	652,348	36,597	18,488
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(47,991)	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	53,433	-	-
1200	Net Change in Fund Balance	-	5,442	-	-
0100	Fund Balance - Sept. 1 (Beginning), as Previously Reported	-	15,056	-	-
1300	Adjustments and Restatements	-	-	-	-
	Fund Balance - Sept. 1, as Restated and Adjusted	-	15,056	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 20,498	\$ -	\$ -

410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 157,916	\$ 198,559
23,867	780,571	-	814,614
-	-	-	833,714
23,867	780,571	157,916	1,846,887
23,867	68,631	34,987	396,700
-	-	-	10,961
-	-	6,757	6,757
-	-	-	652,348
-	-	126,095	126,095
-	112,154	-	112,154
-	599,786	-	599,786
23,867	780,571	167,839	1,904,801
-	-	(9,923)	(57,914)
-	-	-	53,433
-	-	(9,923)	(4,481)
-	-	50,149	65,205
-	-	51,530	51,530
-	-	101,679	116,735
\$ -	\$ -	\$ 91,756	\$ 112,254

REQUIRED T.E.A. SCHEDULES

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2016 and prior years	Various	Various	\$ Various
2017	1.170000	0.23000	150,268,610
2018	1.170000	0.23000	149,159,564
2019	1.170000	0.23000	166,309,069
2020	1.068300	0.23000	166,041,954
2021	1.054700	0.23000	165,805,558
2022	1.010900	0.23000	179,449,512
2023	0.943900	0.29500	200,907,337
2024	0.757500	0.47250	228,197,982
2025 (School year under audit)	0.757500	0.43000	207,072,674
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.1115, Tax Code			

(10) Beginning Balance 9/1/2024	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2025	(99) Taxes Refunded Under Section 26.1115c
\$ 77,083	\$ -	\$ 5,067	\$ 897	\$ (3,151)	\$ 67,968	
14,406	-	1,408	289	(133)	12,576	
15,348	-	2,095	412	(32)	12,809	
17,782	-	2,885	567	(239)	14,091	
19,459	-	2,885	567	(281)	15,726	
23,530	-	3,288	708	(687)	18,847	
27,509	-	4,799	1,046	(958)	20,706	
53,373	-	15,130	3,441	(3,509)	31,293	
167,073	-	47,159	29,410	(16,593)	73,911	
-	2,458,988	1,445,049	820,273	(49,051)	144,615	
<u>\$ 415,563</u>	<u>\$ 2,458,988</u>	<u>\$ 1,529,765</u>	<u>\$ 857,610</u>	<u>\$ (74,634)</u>	<u>\$ 412,542</u>	

\$ _____

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FOOD SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 87,350	\$ 87,350	\$ 40,643	\$ (46,707)
5800	State Program Revenues	10,000	10,000	10,176	176
5900	Federal Program Revenues	497,000	540,000	553,538	13,538
5020	Total Revenues	594,350	637,350	604,357	(32,993)
EXPENDITURES:					
Current:					
0035	Food Services	594,294	696,294	652,348	43,946
6030	Total Expenditures	594,294	696,294	652,348	43,946
1100	Excess (Deficiency) of Revenues Over Expenditures	56	(58,944)	(47,991)	10,953
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	60,000	53,433	(6,567)
1200	Net Change in Fund Balances	56	1,056	5,442	4,386
0100	Fund Balance - September 1 (Beginning)	15,056	15,056	15,056	-
3000	Fund Balance - August 31 (Ending)	\$ 15,112	\$ 16,112	\$ 20,498	\$ 4,386

HOOKS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 896,885	\$ 896,885	\$ 965,668	\$ 68,783
5800	State Program Revenues	222,000	222,000	287,273	65,273
5020	Total Revenues	1,118,885	1,118,885	1,252,941	134,056
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Liabilities	555,000	555,000	555,000	-
0072	Interest on Long-Term Liabilities	530,163	530,163	530,162	1
0073	Bond Issuance Cost and Fees	6,000	6,000	5,000	1,000
6030	Total Expenditures	1,091,163	1,091,163	1,090,162	1,001
1200	Net Change in Fund Balances	27,722	27,722	162,779	135,057
0100	Fund Balance - September 1 (Beginning)	1,170,397	1,170,397	1,170,397	-
3000	Fund Balance - August 31 (Ending)	\$ 1,198,119	\$ 1,198,119	\$ 1,333,176	\$ 135,057

HOOKS INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$746,823
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	\$464,214

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	\$15,340
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	\$10,600

**COMPLIANCE, INTERNAL CONTROL, AND
FEDERAL AWARDS SECTION**

**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***

Independent Auditor's Report

Board of Trustees
Hooks Independent School District
100 E. 5th Street
Hooks, TX 75561

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hooks Independent School District (the District), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 22, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Wilf & Henderson, P.C." in a cursive, slightly stylized font.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

January 22, 2026

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of Trustees
Hooks Independent School District
100 E. 5th Street
Hooks, TX 75561

Members of the Board:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Hooks Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 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 the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the 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 the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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.



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

January 22, 2026

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

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Hooks Independent School District was an unmodified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the Hooks Independent School District were disclosed during the audit.
- d. No significant deficiencies or material weaknesses relating to the audit of the major federal award program are reported in the report on internal control over compliance required by Uniform Guidance.
- e. The type of report the auditor issued on compliance for major programs was an unmodified opinion.
- f. No audit findings relative to the major federal awards programs were disclosed by the audit that were required to be reported under 2 CFR 200.516(a).
- g. The program tested as major programs was:

School Breakfast Program	ALN #10.553
National School Lunch Program – Cash Assistance	ALN #10.555
National School Lunch Program – Non-Cash Assistance	ALN #10.555
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Hooks Independent School District was determined to be a low-risk auditee.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

No findings required to be reported.

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

No findings required to be reported.

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

There were no prior year audit findings or questioned costs.

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

There were no current year audit findings or questioned costs.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	25 - 25610101019902	\$ 216,383
ESEA, Title I, Part A - Improving Basic Programs	84.010A	26 - 26610101019902	16,154
Total Assistance Listing Number 84.010			232,537
ESEA, Title II, Part A, Teacher Principal Training	84.367A	25 - 25694501019902	34,824
ESEA, Title II, Part A, Teacher Principal Training	84.367A	26 - 26694501019902	2,960
Total Assistance Listing Number 84.367			37,784
Title IV, Part A, Subpart 1	84.424A	25 - 25680101019902	17,348
Title IV, Part A, Subpart 1	84.424A	26 - 26680101019902	1,755
Total Assistance Listing Number 84.424			19,103
Total Passed Through Texas Education Agency			289,424
TOTAL U.S. DEPARTMENT OF EDUCATION			289,424
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the Texas Department of Agriculture</u>			
*School Breakfast Program	10.553	N/A	102,693
*National School Lunch Program - Cash Assistance	10.555	N/A	413,262
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	37,584
Total Assistance Listing Number 10.555			450,846
Total Child Nutrition Cluster			553,539
Total Passed Through the Texas Department of Agriculture			553,539
TOTAL U.S. DEPARTMENT OF AGRICULTURE			553,539
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 842,963

*Clustered Programs per Compliance Supplement

**HOOKS INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2025**

- 1 For all Federal programs, the District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
- 2 The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

- 3 The District has elected to not use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.
- 4 The District must submit to the pass-through entity, no later than 90 calendar days (or an earlier date as agreed upon by the pass-through entity and District) after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested and justified by the non-Federal entity, as applicable. (2 CFR 200.34(a))

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all financial obligations incurred under the Federal award no later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award. (2 CFR 200.344(b))

- 5 The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, Uniform Guidance.
- 6 Nonmonetary assistance received from the Commodity Supplemental Food Program is recorded in fair market value of the commodities received and disbursed. The revenue and expense are reported in the Food Service Special Revenue Fund.
- 7 Assistance Listing numbers for commodity assistance are the Assistance Listing numbers of the programs under which USDA donated the commodities.
- 8 A reconciliation of federal program revenues and expenditures is as follows:

General Fund	27,188
Special Revenue Funds	<u>833,714</u>
Sub -total	860,902
Less Medicaid Arrangements Payments:	
SSA - School Health & Related Services (SHARS)	<u>(17,940)</u>
Total Federal Program Expenditures	<u>\$842,963</u>

SCHOOLS FIRST QUESTIONNAIRE

Exhibit L-1

Hooks Independent School District

Fiscal Year 2025

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 Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If payments were not made or warrant hold not cleared within 30 days of when due, then payments are NOT timely.)	Yes
SF4	Was the school district issued a warrant hold? (Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, answer is still YES.)	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 and/or substantial doubt about the district's ability to continue as a going concern?	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 district's administration and school board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	\$0