

LA VERNIA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2026

Discussion Draft



Draft

LA VERNIA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS

	Page	Exhibit
CERTIFICATE OF BOARD	1	
INDEPENDENT AUDITOR'S REPORT	2	
MANAGEMENT'S DISCUSSION AND ANALYSIS	5	
BASIC FINANCIAL STATEMENTS	10	
STATEMENT OF NET POSITION	11	A-1
STATEMENT OF ACTIVITIES	13	B-1
BALANCE SHEET	14	C-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	15	C-1R
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	16	C-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	17	C-3
STATEMENT OF FIDUCIARY NET POSITION	18	E-1
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	19	E-2
NOTES TO THE FINANCIAL STATEMENTS	20	
REQUIRED SUPPLEMENTARY INFORMATION	45	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	46	G-1
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	47	G-2
SCHEDULE OF DISTRICT CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM	48	G-3
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	49	G-4
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS	50	G-5
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	51	
SUPPLEMENTARY INFORMATION	54	
COMBINING BALANCE SHEETS – NONMAJOR GOVERNMENTAL FUNDS	55	H-1
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR FUNDS	59	H-2
BUDGETARY COMPARISON SCHEDULE - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM	63	J-2
BUDGETARY COMPARISON SCHEDUL - DEBT SERVICE FUND	64	J-3

Discussion Draft

ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS (CONTINUED)

	Page	Exhibit
OTHER INFORMATION	65	
SCHEDULE OF DELINQUENT TAXES RECEIVABLE	66	J-1
SPECIAL PROGRAM COMPLIANCE SCHEDULE	68	J-4
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS	69	L-1
COMPLIANCE SECTION	70	
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	71	
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE	73	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	76	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	77	K-1
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	78	

Discussion Draft

CERTIFICATE OF BOARD

La Vernia Independent School District	Wilson	247-903
Name of School District	County	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 June 30, 2026, at a meeting of the board of trustees of such school district on the _____ day of _____, _____.

_____ Signature of Board Secretary

_____ Signature of Board President

Discussion Draft

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
La Vernia Independent School District
La Vernia, TX

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Vernia Independent School District, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise La Vernia Independent School 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 La Vernia Independent School District, as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

La Vernia Independent School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 La Vernia Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Discussion Draft

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of La Vernia Independent School 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 La Vernia Independent School 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 required supplementary information (consisting of management's discussion and analysis and the required supplementary information section as listed in the table of contents) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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.

Discussion Draft

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise La Vernia Independent School District's basic financial statements. The supplementary information (as listed in the table of contents), and schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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.

The supplementary information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplementary information is 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 (as listed in the table of contents) does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2026 on our consideration of La Vernia 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 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 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 La Vernia Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.
November 9, 2026

Discussion Draft

This section of La Vernia Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal period ended June 30, 2026. Please read it in conjunction with the Independent Auditor's Report, which precedes this Analysis and the District's financial statements, which follow this section. . If you have questions about this report or need additional financial information, we invite you to contact the District's Finance Office, 13600 US Hwy 87 West, La Vernia, TX 78121.

OVERVIEW OF THE FINANCIAL STATEMENTS

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. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts in a fiduciary capacity 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.

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 can be found in the government-wide Statements of Net Position and Activities. Their 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.

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 or 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 and deferred outflows of resources and liabilities and deferred inflows of resources) provides 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 non-financial 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.

Discussion Draft

In the Statement of Net Position and the Statement of Activities, the District reports the following governmental activities:

- 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's two kinds of funds, governmental and fiduciary, use different accounting approaches:

- Governmental funds–Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measurers current financial resources and recognizes revenues when measurable and available and expenditures generally when the related liabilities are incurred) 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.

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

Required Supplementary Information
The basic financial statements are followed by a section of required supplementary information. This section includes a Budgetary Comparison Schedule—General Fund, Schedule of the District's Proportionate Share of the Net Pension Liability—TRS, Schedule of the District's Contributions—TRS, Schedule of the District's Proportionate Share of the Net OPEB Liability—TRS-Care, and Schedule of District's Contributions—TRS-Care. The Budgetary Comparison Schedule—General Fund provides detail comparisons of expenditures and intra-agency transfers at the legal level of control. Comparisons can be made between the original budget, final budget and actual costs for the year. The Schedule of the District's Proportionate Share of the Net Pension Liability—TRS and Schedule of the District's Contributions—TRS disclose covered payroll and related comparison information, as required by the Governmental Accounting Standards Board (GASB) Statement No. 68. The Schedule of the District's Proportionate Share of the Net OPEB Liability—TRS-Care and Schedule of the District's Contributions—TRS-Care disclose covered payroll and related comparison information, as required by GASB Statement No. 75.

The District as Trustee
Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and for certain donations controlled by outside parties. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in 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.

Discussion Draft

ANALYSIS OF THE DISTRICT'S FINANCES

	Governmental Activities		Percentage
	6/30/26	6/30/25	Change
Assets:			
Cash and Investments	$ 78,854,915	$ 113,455,472	-30.5%
Other Current Assets	7,926,781	6,474,851	22.4%
Capital Assets (net)	80,671,081	50,264,528	60.5%
Total Assets	167,452,777	170,194,851	-1.6%
Deferred Outflows	6,290,392	6,700,606	-6.1%
Liabilities			
Current Liabilities	12,802,215	16,368,909	-21.8%
Long-term Liabilities	135,003,334	140,675,943	-4.0%
Total Liabilities	147,805,549	157,044,852	-5.9%
Deferred Inflows	7,691,310	7,205,387	6.7%
Net Position:			
Net Investment in Capital Assets	17,333,415	10,166,856	70.5%
Restricted	8,387,124	11,340,561	-26.0%
Unrestricted	(7,474,229)	(8,862,199)	-15.7%
Total Net Position	$ 18,246,310	$ 12,645,218	44.3%

Net position of the District as a whole increased $5.6 million to $18.2 million. 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 a deficit of $7.5 million at June 30, 2026. Adding back the net pension and net other post-employment benefit liabilities (and related deferred inflows/outflows) leaves a balance of $8.8 million.

The District's general grants and contributions increased $3.8 million, or 17.5%, primarily reflecting increased state funding through the Foundation School Program. The District's 2025-2026 state funding included allotments for special education, career and technical education, and teacher retention. Student enrollment decreased slightly from 3,563 to 3,525 students, or 1.1%, however State funding formulas increased to replace tax rate compression. Investment earnings increased from the idle bond funds while construction is ongoing.

Discussion Draft

	Governmental Activities		Percentage
	2026	2025	Change
Program Revenues:			
Charges for Services	$ 987,344	$ 997,666	-1.0%
Operating Grants & Contributions	5,513,583	4,043,555	36.4%
General Revenues:			
Property Taxes	16,942,629	17,952,067	-5.6%
General Grants	25,237,720	21,483,395	17.5%
Investment Earnings	3,813,054	2,249,746	69.5%
Miscellaneous	59,347	43,672	35.9%
Total Revenues	52,553,677	46,770,101	12.4%
Expenses:			
Instruction	24,495,050	22,246,045	10.1%
Instructional Resources & Media	425,255	450,425	-5.6%
Curriculum & Staff Development	343,518	285,021	20.5%
Instructional Leadership	433,857	496,189	-12.6%
School Leadership	1,566,136	1,487,432	5.3%
Guidance, Counseling, Evaluation	895,826	711,613	25.9%
Health Services	340,611	294,612	15.6%
Student Transportation	1,968,250	1,795,541	9.6%
Food Service	1,903,983	1,823,562	4.4%
Extracurricular Activities	1,765,559	1,717,163	2.8%
General Administration	1,714,079	1,527,350	12.2%
Plant Maintenance & Operations	3,921,516	3,775,812	3.9%
Security Services	735,051	648,636	13.3%
Data Processing Services	1,033,905	799,612	29.3%
Community Service	63,636	92,096	-30.9%
Interest on Long-Term Debt	4,945,875	2,229,945	121.8%
Bond Issuance Costs and Fees	4,975	650,300	-99.2%
Facilities Acquisition	20,948	20,948	0.0%
Other Intergovernmental Charges	374,555	368,740	1.6%
Total Expenses	46,952,585	41,421,042	13.4%
Increase (Decrease) in Net Position	5,601,092	5,349,059	4.7%
Beginning Net Position	12,645,218	7,296,159	-73.3%
Ending Net Position	$ 18,246,310	$ 12,645,218	-44.3%

Discussion Draft

Expenses overall increased 13.4%, or $5.5 million, primarily due to increases in instructional expenses and interest on long-term debt. Instructional expenses increased $2.2 million, or 9.8%, reflecting increased costs associated with providing educational services, including compensation adjustments for the Teacher Retention Allotment from the State. The District's 2025-2026 compensation schedules included increases in teacher salaries associated with state funding changes. Interest on long-term debt increased $2.7 for the first full year on the new construction bonds.

THE DISTRICT'S FUNDS

The District's general fund reported an increase in fund balance of $107 thousand for the year. Total revenues increased $4.4 million for the changes in Foundation School Program funding by the State. Expenditures increased $4.9 million to $38.7 million. Part of the increase was related to the general fund taking on food service for the high school which was previously in a federally funded program. Another $3 million of the increase was in instruction and largely teacher compensation related. The fund balance ended the year with $8.9 million.

The debt service fund decreased its fund balance by $1.9 million to consume part of prior surpluses. The ending fund balance of $9.7 million is restricted for future debt payments.

The capital projects fund continued using previously issued bond proceeds to finance voter-approved construction projects. The fund balance decreased $29.8 million and ended the year with a balance of $58.5 million.

SIGNIFICANT CAPITAL ASSET AND DEBT ACTIVITY

Capital Assets
In 2026, the District continued significant construction activities associated in conjunction with its voter authorized bond projects. The construction will continue through 2027.

Debt
In 2026, the District made all scheduled bond payments plus an additional principal payment of $470 thousand. The additional payment consumed some of the excess debt service fund balance and will help offset future debt service requirements. No new bonds were issued.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The District's 2026-2027 financial outlook will continue to be influenced by state education funding, personnel costs, property tax revenues, and ongoing capital improvement projects. The District expects to continue construction and renovation activities financed by previously issued bond proceeds. Changes in state funding, including teacher compensation and other educational allotments, will remain important considerations in the District's financial planning.

Discussion Draft



Draft

BASIC FINANCIAL STATEMENTS

Discussion Draft

EXHIBIT A-1

LA VERNIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2026

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	$ 78,854,915
1225	Property Taxes Receivable (Net)	919,011
1240	Due from Other Governments	6,913,017
1410	Prepaid Expenses	94,753
	Capital Assets:	
1510	Land	2,541,513
1520	Buildings and Improvements, Net	19,444,466
1531	Vehicles, Net	1,354,975
1539	Furniture and Equipment, Net	1,095,123
1580	Construction In Progress	56,235,004
1000	***TOTAL ASSETS***	167,452,777
	DEFERRED OUTFLOW OF RESOURCES:	
	Deferred Loss on Debt Refundings	603,127
	Deferred Pension Related Outflows	3,018,464
	Deferred OPEB Related Outflows	2,668,801
1700	***TOTAL DEFERRED OUTFLOWS***	$ 6,290,392

Discussion Draft

The accompanying notes are an integral part of this statement

EXHIBIT A-1

LA VERNIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2026

Data Control Codes		1 Governmental Activities
	LIABILITIES:	
2110	Accounts Payable	$ 4,377,176
2140	Interest Payable	1,970,150
2150	Payroll Deductions and Withholdings	29,371
2160	Accrued Wages	3,332,512
	Long-Term Liabilities:	
2501	Due Within One Year	3,093,006
2502	Due in More Than One Year	120,705,254
2540	Net Pension Liability	8,955,937
2545	Net OPEB Liability	5,342,143
2000	***TOTAL LIABILITIES***	147,805,549
	DEFERRED INFLOW OF RESOURCES:	
	Deferred Pension Related Inflows	1,224,869
	Deferred OPEB Related Inflows	6,466,441
2600	***TOTAL DEFERRED INFLOWS***	7,691,310
	NET POSITION:	
3200	Net Investment in Capital Assets	17,333,415
	Restricted For:	
3820	State and Federal Programs	211,490
3850	Debt Service	8,135,028
3890	Other Restrictions	40,606
3900	Unrestricted	(7,474,229)
3000	***TOTAL NET POSITION***	$ 18,246,310

Discussion Draft

The accompanying notes are an integral part of this statement



Draft

EXHIBIT B-1

LA VERNIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues: Charges for Services	4 Program Revenues: Operating Grants and Contributions	6 Net Revenue (Expense) and Changes in Net Position: Governmental Activities
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 24,495,050	$ -	$ 1,105,671	$ (23,389,379)
12	Instructional Resources and Media Service	425,255	-	40	(425,215)
13	Curriculum and Staff Development	343,518	-	162,240	(181,278)
21	Instructional Leadership	433,857	-	27,800	(406,057)
23	School Leadership	1,566,136	-	-	(1,566,136)
31	Guidance, Counseling, & Evaluation	895,826	-	181,959	(713,867)
33	Health Services	340,611	-	41,022	(299,589)
34	Student transportation	1,968,250	-	-	(1,968,250)
35	Food Services	1,903,983	-	1,732,806	(171,177)
36	Cocurricular/Extracurricular Activities	1,765,559	987,344	10,371	(767,844)
41	General Administration	1,714,079	-	1,000	(1,713,079)
51	Plant Maintenance and Operations	3,921,516	-	-	(3,921,516)
52	Security and Monitoring Services	735,051	-	-	(735,051)
53	Data Processing Services	1,033,905	-	-	(1,033,905)
61	Community Service	63,636	-	-	(63,636)
72	Interest on Long-Term Debt	4,945,875	-	2,250,673	(2,695,202)
73	Bond Issuance Costs and Fees	4,975	-	-	(4,975)
81	Facilities Acquisition	20,948	-	-	(20,948)
99	Other Intergovernmental Charges	374,555	-	-	(374,555)
TG	Total Governmental Activities	46,952,585	987,344	5,513,583	(40,451,658)
TP	*Total Primary Government*	$ 46,952,585	$ 987,344	$ 5,513,583	(40,451,658)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				11,131,684
DT	Property Taxes, Levied for Debt Service				5,810,945
IE	Investment Earnings				3,813,054
GC	Grants and Contributions Not Restricted to Specific Programs				25,237,720
MI	Miscellaneous				59,347
TR	Total General Revenues				46,052,750
CN	Change in Net Position				5,601,092
NB	Net Position - Beginning				12,645,218
NE	Net Position - Ending				$ 18,246,310

Discussion Draft

The accompanying notes are an integral part of this statement

EXHIBIT C-1

LA VERNIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
JUNE 30, 2026

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Nonmajor Governmental Funds	98 Total Governmental Funds
	ASSETS:					
1110	Cash and Cash Equivalents	$ 5,740,384	$ 9,175,635	$ 62,771,593	$ 1,167,303	$ 78,854,915
1225	Taxes Receivable, Net	534,324	384,686	-	-	919,010
1240	Due from Other Governments	6,079,402	544,857	-	288,758	6,913,017
1260	Due from Other Funds	169,390	-	-	-	169,390
1410	Prepaid Items	94,753	-	-	-	94,753
1000	***TOTAL ASSETS***	$ 12,618,253	$ 10,105,178	$ 62,771,593	$ 1,456,061	$ 86,951,085
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
	LIABILITIES:					
2110	Accounts Payable	$ 120,268	$ -	$ 4,252,651	$ 3,841	$ 4,376,760
2150	Payroll Deductions and Withholdings	29,371	-	-	-	29,371
2160	Accrued Wages Payable	2,991,219	-	-	341,708	3,332,927
2170	Due to Other Funds	-	-	-	169,390	169,390
2000	*TOTAL LIABILITIES*	3,140,858	-	4,252,651	514,939	7,908,448
	DEFERRED INFLOWS OF RESOURCES:					
2600	Unavailable Property Tax Revenue	534,324	384,686	-	-	919,010
2600	*TOTAL DEFERRED INFLOWS*	534,324	384,686	-	-	919,010
	FUND BALANCES:					
	Nonspendable Fund Balance:					
3430	Prepaid Items	94,753	-	-	-	94,753
	Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	-	-	-	211,490	211,490
3470	Capital Acquisitions	-	-	58,518,942	-	58,518,942
3480	Retirement of Long-Term Debt	-	9,720,492	-	-	9,720,492
3490	Other Restrictions	-	-	-	40,606	40,606
	Committed Fund Balances:					
3545	Campus Activities	-	-	-	689,026	689,026
3600	*Unassigned*	8,848,318	-	-	-	8,848,318
3000	*TOTAL FUND BALANCES*	8,943,071	9,720,492	58,518,942	941,122	78,123,627
4000	***TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES***	$ 12,618,253	$ 10,105,178	$ 62,771,593	$ 1,456,061	$ 86,951,085

Discussion Draft

The accompanying notes are an integral part of this statement.

EXHIBIT C-1R

LA VERNIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

Data Control			
	TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 78,123,627
	Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:		
1	Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		80,671,081
2	Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		919,010
3	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, not reported in the funds.		(123,195,133)
4	Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.		
	Net Pension Liability	(8,955,937)	
	Pension Related Deferred Inflows	(1,224,869)	
	Pension Related Deferred Outflows	3,018,464	(7,162,342)
5	Net OPEB liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.		
	Net OPEB Liability	(5,342,143)	
	OPEB Related Deferred Inflows	(6,466,441)	
	OPEB Related Deferred Outflows	2,668,801	(9,139,783)
6	Accrued interest payable on long-term bonds is not due and payable in the current period, and therefore, not reported in the funds.		(1,970,150)
19	**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES**		$ 18,246,310

Discussion Draft

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

LA VERNIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Nonmajor Governmental Funds	98 Total Governmental Funds
	REVENUES:					
5700	Local and Intermediate Sources	$ 12,242,417	$ 5,815,999	$ 3,259,548	$ 1,586,677	$ 22,904,641
5800	State Program Revenues	26,567,700	2,250,673	-	205,759	29,024,132
5900	Federal Program Revenues	38,641	-	-	1,800,815	1,839,456
5020	*Total Revenues*	38,848,758	8,066,672	3,259,548	3,593,251	53,768,229
	EXPENDITURES:					
0011	Instruction	23,266,506	-	-	1,367,902	24,634,408
0012	Instructional Resources and Media Services	404,190	-	-	43,825	448,015
0013	Curriculum and Staff Development	220,541	-	-	162,240	382,781
0021	Instructional Leadership	433,567	-	-	27,800	461,367
0023	School Leadership	1,639,195	-	-	-	1,639,195
0031	Guidance, Counseling, & Evaluation Services	799,281	-	-	181,959	981,240
0033	Health Services	357,552	-	-	2,381	359,933
0034	Student Transportation	1,756,862	-	154,125	-	1,910,987
0035	Food Service	491,287	-	-	1,340,619	1,831,906
0036	Cocurricular/Extracurricular Activities	1,120,346	-	-	404,826	1,525,172
0041	General Administration	1,761,496	-	-	1,000	1,762,496
0051	Plant Maintenance and Operations	3,693,718	-	-	-	3,693,718
0052	Security and Monitoring Services	744,311	-	-	-	744,311
0053	Data Processing Services	1,024,686	-	-	-	1,024,686
0061	Community Service	63,636	-	-	-	63,636
0071	Principal on Long-Term Debt	590,332	5,855,000	-	-	6,445,332
0072	Interest on Long-Term Debt	-	4,059,507	-	-	4,059,507
0073	Bond Issuance Costs and Fees	-	4,975	-	-	4,975
0081	Facilities Acquisition	-	-	32,919,411	-	32,919,411
0099	Other Intergovernmental Charges	374,555	-	-	-	374,555
6030	*Total Expenditures*	38,742,061	9,919,482	33,073,536	3,532,552	85,267,631
1200	Net Change in Fund Balances	106,697	(1,852,810)	(29,813,988)	60,699	(31,499,402)
0100	Fund Balances - Beginning	8,836,374	11,573,302	88,332,930	880,423	109,623,029
3000	Fund Balances - Ending	$ 8,943,071	$ 9,720,492	$ 58,518,942	$ 941,122	$ 78,123,627

Discussion Draft

The accompanying notes are an integral part of this statement.

EXHIBIT C-3

LA VERNIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (31,499,402)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlay	33,303,381	
Depreciation	(2,896,829)	30,406,552
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. This is the net change in those revenues over the year.		114,615
The issuance of long-term debt (e.g. bonds & notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Principal Payments on Bonds Outstanding		6,318,640
Governmental funds report required contributions to employee pensions and other post-employment benefits as expenditures. However in the Statement of Activities, the cost of benefits are recorded based on the actuarially determined cost of the plan. This is the amount that the actuarially determined expenses exceeded the contributions.		
Pension	159,070	
Retiree Insurance	804,209	963,279
Some expenses reported in the Statement of Activities (including accreted and accrued interest expense) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Change in Accrued Interest	(1,015,030)	
Change in Accrued Compensated Absences	57,083	
Amortization of Refunding Differences	(65,549)	
Amortization of Bond Premiums	320,904	(702,592)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ 5,601,092

Discussion Draft

The accompanying notes are an integral part of this statement.

EXHIBIT E-1

LA VERNIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2026

	Scholarship Trust Fund	Custodial Fund Student Activity Fund
ASSETS:		
Cash and Cash Equivalents	$ 157,403	$ -
Total Assets	157,403	-
LIABILITIES:		
Current Liabilities		
Accounts Payable	-	-
Total Liabilities	-	-
NET POSITION:		
Restricted for Scholarships	157,403	-
Total Net Position	$ 157,403	$ -

Discussion Draft

The accompanying notes are an integral part of this statement.

EXHIBIT E-2

LA VERNIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2026

	Scholarship Trust Fund	Custodial Fund Student Activity Fund
ADDITIONS:		
Co-curricular Sales	$ -	$ 328,108
Donations	150,000	-
Total Additions	150,000	328,108
DEDUCTIONS:		
Services	-	22,960
Supplies	-	309,593
Total Deductions	-	332,553
CHANGE IN NET POSITION	150,000	(4,445)
BEGINNING NET POSITION	7,403	4,445
ENDING NET POSITION	$ 157,403	$ -

Discussion Draft

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

Discussion Draft

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

The District reports the following major governmental funds:

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

Debt Service Fund: Is used to account for all funds collected and disbursed for the retirement of governmental debt.

Capital Projects Fund: Is used to account for loan proceeds to be spent on capital outlay.

b. Measurement Focus, Basis of Accounting

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. For the District, this includes local government investment pools and money market funds.

Discussion Draft

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

b. Investments

The District reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool maintains a consistent net asset value per share that approximates the fair value of the underlying securities. These investments are reported at net asset value.

c. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Taxes Receivable in the governmental funds are stated net of allowance for uncollectible tax receivables. Allowances as of June 30, 2026 were $379,993 and $52,729 for the General and Debt Service Funds, respectively.

d. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

e. Receivable and Payable Balances

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

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

Discussion Draft

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

f. Deferred Inflows and Outflows of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

g. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings and Improvements	7-30
Vehicles	5-15
Equipment	3-15

h. Leases and Subscription Based IT Arrangements

At the commencement of a lease or arrangement, the District initially measures the liability at the present value of payments expected to be made during the term. Subsequently, the liability is reduced by the principal portion of payments made. The right of use asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life. The District recognizes lease liabilities with an initial, individual value of $100,000 or more.

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

Discussion Draft

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

i. Interfund Activity

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

j. Pensions

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/ deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, 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.

k. Other Post-Employment Benefits

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 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'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.

l. Compensated Absences

The District's policies provide for the accumulation of local and state personal days that carry over each year. None of the days are paid on termination. Compensated absences are recorded as a liability at the government-wide level based on an estimate of the leave that has been earned that is more likely than not to be taken as time off or paid on separation. The District has estimated the liability with the first in first out flows assumption for the use of accrued leave.

Discussion Draft

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

m. Net Position - Government-wide Statement of Net Position

Net position is classified as follows:

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

Net Investment in Capital Assets - represents the balances of capital assets less the outstanding balances of debt related to the acquisition of the capital assets. This amount is separated from unrestricted net position so that the unrestricted classification represents net position more readily available to fund operations.

Unrestricted - Represents the residual net position that is not restricted or capital in nature.

n. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

Discussion Draft

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

n. Fund Balances - Governmental Funds (Continued)

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

In addition, the Board has established a minimum General Fund unassigned fund balance of 25% of budgeted General Fund operational expenditures.

o. Use of Estimates

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

p. Data Control Codes

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

Discussion Draft

B. Deposits and Investments

1. Cash Deposits:

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The District's cash deposits at June 30, 2026 and during the period ended June 30, 2026, were entirely covered by FDIC insurance and securities pledged by the District's depository.

2. Investments:

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

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

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

The District's investments at June 30, 2026 are shown below.

Investment or Investment Type	Maturity (Days)	Rating	Reported Value
Reported as Cash Equivalents			
Lone Star Investment Pool	Demand	AAAm	$ 75,301,465
Total Investments			$ 75,301,465

The District participates in the First Public Local Government Pool ("Lone Star"), an external investment pool. A Board of Trustees composed of participants of Lone Star is responsible for the overall management of the pool. The pool seeks to maintain a net asset value of $1 per share, which approximates fair value.

Discussion Draft

B. Deposits and Investments (Continued)

3. Analysis of Specific Deposit and Investment Risks:

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

b. Custodial credit risk occurs when deposits are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At period end, the District was not exposed to custodial credit risk.

c. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At period end, the District was exposed to concentration of credit risk as the commercial paper investment is concentrated in one issuer.

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

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

Discussion Draft

C. Capital Assets

Capital asset activity for the period ended June 30, 2026, was as follows:

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 2,541,513	$ -	$ -	$ 2,541,513
Construction in Process	23,315,592	32,919,412	-	56,235,004
Total Capital Assets Not Being Depreciated	25,857,105	32,919,412	-	58,776,517
Capital Assets Being Depreciated:				
Buildings and Improvements	78,355,885	-	-	78,355,885
Equipment	4,205,945	152,020	-	4,357,965
Vehicles	4,435,602	231,949	-	4,667,551
Total Capital Assets Being Depreciated	86,997,431	383,969	-	87,381,401
Less Accumulated Depreciation For:				
Buildings and Improvements	(56,533,617)	(2,377,802)	-	(58,911,419)
Equipment	(3,040,782)	(222,060)	-	(3,262,842)
Vehicles	(3,015,609)	(296,967)	-	(3,312,576)
Total Accumulated Depreciation	(62,590,008)	(2,896,829)	-	(65,486,837)
Total Capital Assets Being Depreciated, Net	24,407,423	(2,512,860)	-	21,894,564
Governmental Activities Capital Assets, Net	$ 50,264,528	$ 30,406,552	$ -	$ 80,671,081

Depreciation was charged to functions as follows:

11 Instruction	$ 1,597,667
34 Student Transportation	288,478
35 Food Services	202,903
36 Cocurricular/Extracurricular Activities	354,703
51 Plant Maintenance and Operations	391,048
52 Security and Monitoring	4,988
53 Data Processing Services	36,093
81 Facilities Acquisition and Construction	20,949
	$ 2,896,829

D. Interfund Balances and Activities

Balances due to and from other funds at June 30, 2026, all of which are scheduled to be repaid within one year, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	$ 169,390	Short-term pooled cash loans
		$ 169,390	

Discussion Draft

E. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended June 30, 2026, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Unlimited Tax School Refunding Bonds	$ 16,520,000	$ -	$ (1,070,000)	$ 15,450,000	$ 630,000
Building Bonds	101,285,000	-	(4,785,000)	96,500,000	1,855,000
Unamortized Premiums	5,560,019	-	(320,904)	5,239,115	-
Notes Payable	5,734,259	-	(463,640)	5,270,619	474,153
Total Bonds	129,099,278	-	(6,639,544)	122,459,734	$ 2,959,153
Net Pension Liability	9,535,148	-	(579,211)	8,955,937	-
Net OPEB Liability	6,556,796	-	(1,214,653)	5,342,143	-
Compensated Absences	1,395,609	-	(57,083)	1,338,526	133,853
Grand Total	$ 146,586,831	$ -	$ (8,490,491)	$ 138,096,340	$ 3,093,006

Unlimited Tax School Refunding Bonds have interest rates of 0.85-5%.
Unlimited Tax School Building Bonds have interest rates of 4-5%.
Notes Payable have interest rates of 2.19-2.87%.

In accordance with Securities and Exchange Act of 1934 Rule 15c2-12, the District has entered into a continuing disclosure agreement with the Municipal Securities Rulemaking Board. The District has complied with these continuing disclosures.

None of the District's bonds were direct placements or direct borrowings. The District's notes payable do not include subjective acceleration clauses or termination events.

2. Debt Service requirements on these debts at June 30, 2026, are as follows:

Year Ending June 30,	Bonded Debt Principal	Bonded Debt Interest	Notes Payable Principal	Notes Payable Interest	Total
2027	$ 2,485,000	$ 5,128,150	$ 474,153	$ 116,178	$ 8,203,481
2028	2,780,000	5,014,625	484,909	105,424	8,384,958
2029	3,045,000	4,888,550	438,610	94,423	8,466,583
2030	3,300,000	4,750,700	448,216	84,828	8,583,744
2031	3,380,000	4,603,775	458,032	75,002	8,516,809
2032-2036	20,090,000	20,670,076	2,445,089	220,079	43,425,244
2037-2041	25,790,000	15,681,971	521,610	11,423	42,005,004
2042-2046	27,975,000	9,663,140	-	-	37,638,140
2047-2050	23,105,000	2,692,581	-	-	25,797,581
Totals	$ 111,950,000	$ 73,093,568	$ 5,270,619	$ 707,357	$ 191,021,544

Discussion Draft

F. Risk Management

1. Property and Liability Program

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal period 2026, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal period and there were no settlements exceeding insurance coverage for each of the past three fiscal periods.

2. Workers' Compensation

During the period ended June 30, 2026, the District met its statutory workers' compensation obligations through a modified self-funded program. The District (through a third-party administrator) pays all workers' compensation claims up to a maximum stop-loss amount. The stop-loss amount for the period ending June 30, 2026 was $97,910. Actual claims paid during the fiscal periods ending June 30, 2026, 2025, and 2024 were $56,564, $88,588, and $68,816, respectively. The District has made payments to the administrator sufficient to cover all incurred but not reported claims based on actuarial estimates. Thus, no liability for claims is recorded on these financial statements.

G. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. 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 that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.tx.us/about_publications.aspx or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Discussion Draft

G. Pension Plan (Continued)

3. Benefits Provided

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

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in State statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 .

	Contribution Rates Years Ending August 31,		Contributions Required and Made
	2025	2026	
Member (Employee)	8.25%	8.25%	$ 2,170,910
Non-employer Contributing Entity (State)	8.25%	8.25%	1,702,095
Employer	8.25%	8.25%	985,185
			$ 4,858,190

Discussion Draft

G. Pension Plan (Cont.)

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

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

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

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 2% of the member's salary.
- 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.

Discussion Draft

G. Pension Plan (Continued)

5. Actuarial Assumptions

Effective with the measurement date of August 31, 2025, the salary increase assumption was modified to reflect anticipated changes in future contribution levels resulting from the enactment of House Bill 2 (HB2) by the 2025 Texas Legislature. Except for the change in salary increase assumption, the actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2024. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2024.

The total pension liability in the August 31, 2025 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2024, Rolled Forward
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Investment Rate of Return	7.00%
Single Discount Rate	7.00%
Salary Increases Including Inflation	3.2% to 9.2% including inflation
Inflation	2.3%
Ad Hoc Post-Employment Benefit Changes	None
Municipal Bond Rate	5.23% Bond Buyers 20 Index

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions, please see the actuarial valuation report dated November 11, 2023.

6. Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.5 percent of payroll in fiscal year 2024 gradually increasing to 9.56 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 rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discussion Draft

G. Pension Plan (Continued)

7. Discount Rate (Continued)

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2025 are summarized below:

Asset Class	Target Allocation	Long-Term Arithemetic Real Rate of Return	Expected Contribution to Portofolio Return
Global Equity			
U.S.	0%	3.85%	0.00%
All Country	39%	4.14%	2.18%
Non-U.S. Developed	5%	4.60%	0.31%
Emerging Markets	1%	4.71%	0.07%
Private Equity	12%	6.80%	1.19%
Stable Value			
Government Bonds - Nominal	10%	2.59%	0.33%
Government Bonds - Real	6.00%	1.97%	0.13%
Absolute Return	0.00%	3.91%	0.00%
Stable Value Hedge Funds	5.00%	1.68%	0.09%
Real Return			
Real Estate	15.00%	4.60%	0.86%
Energy and Natural Resources	6.00%	4.86%	0.36%
Commodities	0.00%	2.96%	0.00%
Risk Parity			
Risk Parity	5.00%	4.38%	0.26%
Asset Allocation Leverage			
Cash	2.00%	0.51%	0.01%
Asset Allocation Leverage	-6.00%	0.81%	-0.05%
Inflation Expectation			2.30%
Volatility Drag			-0.71%
Total	100%		7.33%

8. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
District's Proportionate Share of Net Pension Liability	$ 14,433,722	$ 8,955,937	$ 4,396,917

Discussion Draft

G. Pension Plan (Continued)

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

At June 30, 2026, the District reported a liability of $8,955,937 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District Proportionate Share	$ 8,955,937
State's Proportionate Share	15,615,840
	$ 24,571,777

The net pension liability was measured as of August 31, 2024 and rolled forward to August 31, 2025 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, 2024 thru August 31, 2025.

At August 31, 2025 the employer's proportion of the collective net pension liability was 0.01422758% which was a decrease of 0.0013823% from its proportion measured as of August 31, 2024.

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

For the year ended June 30, 2026, the District recognized pension expense of $2,285,840, including $1,449,722 in support provided by the State.

At June 30, 2026, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 537,332	$ 31,381
Changes in actuarial assumptions	858,894	-
Difference between projected and actual investment earnings		407,006
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	771,884	786,482
Contributions paid to TRS subsequent to the measurement date	850,354	-
	$ 3,018,464	$ 1,224,869

Discussion Draft

G. Pension Plan (Continued)

9. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The $850,354 in deferred outflows of resources related to pensions from District contributions after the measurement date will be recognized as a reduction of the net pension liability in the plan year ending August 31, 2026. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	Pension Expense Amount
2026	$ 917,283
2027	98,407
2028	(209,961)
20239	38,302
2030	99,210
Thereafter	-
	$ 943,241

H. Other Post-Employment Benefits

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established in accordance with the Texas Insurance Code, Chapter 1575. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

2. OPEB Plan Fiduciary Net Position

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

Discussion Draft

H. Other Post-Employment Benefits (Continued)

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high- deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS- Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs. The premium rates for retirees are reflected in the following table.

TRS-Care Plan Premium Rates

	Medicare	Non-Medicare
Retiree*	$ 75	$ 200
Retiree and Spouse	280	689
Retiree* and Children	408	408
Retiree and Family	613	999

* or surviving spouse

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer 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 public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

Discussion Draft

H. Other Post-Employment Benefits (Continued)

4. Contributions (Continued)

The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates Years Ending August 31,		Contributions Required and Made
	2025	2026	
Member (Employee)	0.65%	0.65%	$ 171,044
Non-employer Contributing Entity (State)	1.25%	1.25%	257,893
Employer	0.75%-1.25%	0.75%-1.25%	225,222
			$ 654,159

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

5. 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 developed in the experience study performed for TRS for the period ending August 31, 2017. 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, 2024 TRS pension actuarial valuation that was rolled forward to August 31, 2025::

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

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, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2021. The total OPEB liability in the August 31, 2024 actuarial valuation was rolled forward to August 31, 2025.

Discussion Draft

H. Other Post-Employment Benefits (Continued)

5. Actuarial Assumptions (Continued)

Additional actuarial assumptions were as follows:

Valuation Date	August 31, 2024, Rolled forward
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	5.23%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.20% to 9.20%, including inflation
Election Rates	62% participation prior to age 65 25% participation after age 65 30% of pre-65 assumed to discontinue at age 65
Ad hoc post-employment benefit changes	None

6. Discount Rate

A single discount rate of 5.23% was used to measure the total OPEB liability. This was an increase of 1.36 % in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Bond Buyer's 20-Index as of August 31, 2025 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discussion Draft

H. Other Post-Employment Benefits (Continued)

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (5.23%) in measuring the Net OPEB Liability.

	1% Decrease 4.23%	Discount Rate 5.23%	1% Increase 6.23%
District's Proportionate Share of Net OPEB Liability	$ 6,273,787	$ 5,342,143	$ 4,574,402

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the assumed healthcare cost trend rate.

	1% Decrease	Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	$ 4,417,202	$ 5,342,143	$ 6,516,546

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

At June 30, 2026, the District reported a liability of $5,342,143 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 Proportionate Share	$ 5,342,143
State's Proportionate Share	7,087,533
	$ 12,429,676

The net OPEB liability was measured as of August 31, 2024 and rolled forward to August 31, 2025 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 the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2024 thru August 31, 2025.

At August 31, 2025, the employer's proportion of the collective net OPEB liability was 0.0214309% which was an decrease of 0.0001719% from the prior year.

Discussion Draft

H. Other Post-Employment Benefits (Continued)

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

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected the measurement of the total OPEB liability since the prior measurement period:

- The discount rate changed from 3.87 percent as of August 31, 2024 to 5.23 percent as of August 31, 2025.
- The salary increase rates were revised to match those used in the pension valuation, and the health care trend rates were reset to reflect the plan's anticipated experience.

For the year ended June 30, 2026, the District recognized OPEB expense of ($-1,397,895) and $818,907 of cost savings recognized by the State.

At June 30, 2026, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,045,132	$ 3,181,551
Changes in actuarial assumptions	660,601	2,194,160
Difference between projected and actual investment earnings	-	32,855
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	772,107	1,057,875
Contributions paid to TRS subsequent to the measurement date	190,961	-
	$ 2,668,801	$ 6,466,441

The $190,961 in deferred outflows of resources related to OPEB from District contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the year ending August 31, 2026. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ending August 31,	OPEB Expense Amount
2026	(814,457)
2027	(1,051,501)
2028	(926,060)
2029	(602,989)
2030	(445,001)
Thereafter	(148,593)
	$ (3,988,601)

Discussion Draft

I. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2026, 2025 and 2024, the subsidy payments received by TRS-Care on behalf of the District were $257,893, $151,656, and $132,037, respectively.

J. Employee Health Care Coverage

During the period ended June 30, 2026, employees of the District were covered by a health insurance plan (the Plan). The District paid a portion of premiums per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions. Latest financial statements for the Plan are available for the year ended June 30, 2025, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

M. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

2. Litigation

The District is not aware of any pending litigation at this time that would have any significant impact on these financial statements.

Discussion Draft

M. Commitments and Contingencies

3. Commitments

The District engaged an architect, project manager and construction manager for the voter approved bond projects. The commitments from those contracts as of June 30, 2026 were as follows:

Contract	Total Contract	Incurred Through June 30, 2026	Estimated Remaining Commitment
Project Management	$ 3,915,666	$ 2,242,674	$ 1,672,992
Architect	5,410,746	5,015,376	395,370
Construction Management	84,802,533	45,762,425	39,040,108
	$94,128,945	$53,020,475	$41,108,470

Discussion Draft

REQUIRED SUPPLEMENTARY INFORMATION

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

Discussion Draft

EXHIBIT G-1

LA VERNIA INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	Total Budget Amendments	3 Actual	Variance with Final Budget
	REVENUES					
5700	Local and Intermediate Sources	$ 11,996,951	$ 12,224,592	$ 227,641	$ 12,242,417	$ 17,825
5800	State Program Revenues	24,608,290	25,256,231	647,941	26,567,700	1,311,469
5900	Federal Program Revenues	45,000	88,004	43,004	38,641	(49,363)
5020	**Total Revenues**	36,650,241	37,568,827	918,586	38,848,758	1,279,931
	EXPENDITURES					
0011	Instruction	22,543,884	21,639,286	(904,598)	23,266,506	(1,627,220)
0012	Instructional Resources and Media Services	406,027	406,027	-	404,190	1,837
0013	Curriculum and Staff Development	218,649	288,649	70,000	220,541	68,108
0021	Instructional Leadership	442,555	455,155	12,600	433,567	21,588
0023	School Leadership	1,610,016	1,650,016	40,000	1,639,195	10,821
0031	Guidance, Counseling and Evaluation Services	752,368	827,368	75,000	799,281	28,087
0033	Health Services	334,077	360,077	26,000	357,552	2,525
0034	Student (Pupil) Transportation	1,398,720	1,798,720	400,000	1,756,862	41,858
0035	Food Service	-	593,080	593,080	491,287	101,793
0036	Cocurricular/Extracurricular Activities	1,301,311	1,171,311	(130,000)	1,120,346	50,965
0041	General Administration	1,839,494	1,840,994	1,500	1,761,496	79,498
0051	Plant Maintenance and Operations	3,458,435	3,606,683	148,248	3,693,718	(87,035)
0052	Security and Monitoring Services	432,874	777,874	345,000	744,311	33,563
0053	Data Processing Services	711,831	888,587	176,756	1,024,686	(136,099)
0061	Community Service	94,000	94,000	-	63,636	30,364
0071	Debt Service	740,000	775,000	35,000	590,332	184,668
0095	Payments for Juvenile Justice Programs	11,000	11,000	-	-	11,000
0099	Other Intergovernmental Charges	355,000	385,000	30,000	374,555	10,445
6030	**Total Expenditures**	36,650,241	37,568,827	918,586	38,742,061	(1,173,234)
1200	Net Change in Fund Balance	-	-	-	106,697	106,697
0100	**Fund Balance - Beginning**	8,836,374	8,836,374	-	8,836,374	-
3000	**Fund Balance - Ending**	$ 8,836,374	$ 8,836,374	$ -	$ 8,943,071	$ 106,697

Discussion Draft

EXHIBIT G-2

LA VERNIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS

Measurement Period Ending August 31,	District's Proportion of Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportion of Net Pension Liability	Total Net Pension Liability	District's Covered Payroll for the Measurement Period	District's Proportionate Share of the Net Pension Liability as a % of Payroll	Plan Fiducary Net Position as a % of Total Pension Liability
2025	0.0142276%	$ 8,955,937	$ 15,615,840	$ 24,571,777	$ 23,258,824	38.51%	78.24%
2024	0.0156098%	$ 9,535,148	$ 14,637,708	$ 24,172,856	$ 23,001,061	41.46%	77.51%
2023	0.0137907%	$ 9,472,902	$ 17,017,840	$ 26,490,742	$ 21,050,330	45.00%	73.15%
2022	0.0130512%	$ 7,748,173	$ 14,223,554	$ 21,971,727	$ 20,139,617	38.47%	75.62%
2021	0.0135497%	$ 3,450,637	$ 7,347,429	$ 10,798,066	$ 20,360,999	16.95%	88.79%
2020	0.0140024%	$ 7,499,415	$ 15,993,216	$ 23,492,631	$ 20,575,615	36.45%	75.54%
2019	0.0165495%	$ 8,602,941	$ 14,735,031	$ 23,337,972	$ 19,855,127	43.33%	75.24%
2018	0.0165641%	$ 9,117,272	$ 16,127,498	$ 25,244,770	$ 19,317,314	47.20%	73.74%
2017	0.0147574%	$ 4,718,617	$ 9,985,305	$ 14,703,922	$ 18,389,157	25.66%	82.17%
2016	0.0148344%	$ 5,605,718	$ 11,502,012	$ 17,107,730	$ 17,616,575	31.82%	78.00%

Discussion Draft

EXHIBIT G-3

LA VERNIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

Fiscal Year Ending June 30,	Contractually Required Contribution	Contributions Made	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percent Covered Payroll
2026	$ 985,185	$ 985,185	$ -	$ 26,314,060	3.7%
2025	$ 827,550	$ 827,550	$ -	$ 22,975,721	3.6%
2024	$ 805,704	$ 805,704	$ -	$ 22,838,452	3.5%
2023	$ 702,118	$ 702,118	$ -	$ 20,911,963	3.4%
2022	$ 605,359	$ 605,359	$ -	$ 19,711,853	3.1%
2021	$ 698,436	$ 698,436	$ -	$ 20,370,397	3.4%
2020	$ 578,262	$ 578,262	$ -	$ 20,473,762	2.8%
2019	$ 585,162	$ 585,162	$ -	$ 19,776,371	3.0%
2018	$ 548,836	$ 548,836	$ -	$ 19,189,199	2.9%
2017	$ 481,015	$ 481,015	$ -	$ 18,242,124	2.6%

Discussion Draft

EXHIBIT G-4

LA VERNIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2026

Measurement Period Ending August 31,	District's Proportion Of Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	State's Proportion Of Net OPEB Liability	Total Net OPEB Liability	District's Covered Payroll for the Measurement Period	District's Proportionate Share of the Net OPEB Liability As a % of Payroll	Plan Fiducary Net Position As a % of Total OPEB Liability
2025	0.0214309%	$ 5,342,143	$ 7,087,533	$ 12,429,676	$ 23,258,824	22.97%	18.26%
2024	0.0216029%	$ 6,556,796	$ 8,215,577	$ 14,772,373	$ 23,001,061	28.51%	13.70%
2023	0.0203320%	$ 4,501,161	$ 5,431,343	$ 9,932,504	$ 21,050,330	21.38%	14.94%
2022	0.0200366%	$ 4,797,571	$ 5,852,283	$ 10,649,854	$ 21,050,330	22.79%	11.52%
2021	0.0210149%	$ 8,106,381	$ 10,860,744	$ 18,967,125	$ 20,139,617	40.25%	6.18%
2020	0.0225757%	$ 8,582,038	$ 11,532,202	$ 20,114,240	$ 20,360,999	42.15%	4.99%
2019	0.0236103%	$ 11,165,615	$ 14,836,605	$ 26,002,220	$ 20,575,615	54.27%	2.66%
2018	0.0236020%	$ 11,784,690	$ 17,093,836	$ 28,878,526	$ 19,855,127	59.35%	1.57%

Discussion Draft

Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year. (Amounts are being accumulated until 10 years are presented.)

EXHIBIT G-5

LA VERNIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM
JUNE 30, 2026

Fiscal Year Ending June 30,	Contractually Required Contribution	Contributions Made	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percent Covered Payroll
2026	$ 225,222	$ 225,222	$ -	$ 26,314,060	0.86%
2025	$ 195,394	$ 195,394	$ -	$ 22,975,721	0.85%
2024	$ 191,677	$ 191,677	$ -	$ 22,838,452	0.84%
2023	$ 174,059	$ 174,059	$ -	$ 20,911,963	0.83%
2022	$ 164,049	$ 164,049	$ -	$ 19,711,853	0.83%
2021	$ 180,591	$ 180,591	$ -	$ 20,370,397	0.89%
2020	$ 171,618	$ 171,618	$ -	$ 20,473,762	0.84%
2019	$ 168,209	$ 168,209	$ -	$ 19,776,371	0.85%
2018	$ 155,283	$ 155,283	$ -	$ 19,189,199	0.81%
2017	$ 109,307	$ 109,307	$ -	$ 18,242,124	0.60%

Discussion Draft

BUDGETARY INFORMATION

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees.

Budgetary preparation and control is exercised at the function level. Actual expenditures may not legally exceed appropriations at the fund level.

Budget Amendments
The following functions experienced amendments changing total budgeted expenditures by more than 10%:

13 Curriculum and Staff Development – The budget was increased to allow for spending in case it was needed.

31 Guidance, Counseling and Evaluation Services – The budget was amended to fully account for staff wage increases.

34 Student Transportation – The budget was increased to cover staffing and fuel costs that were higher than anticipated.

36 Cocurricular/Extracurricular Activities – Some of the budgeted costs were paid from other sources. An amendment was posted to reallocate the unused budget to other functions.

52 Security and Monitoring Services – The District increased its security presence and updated the budget to match the new spending level.

53 Data Processing Services – The budget was amended to allow for spending from e-rate funded projects.

Actual Variances

5800 State program revenues - The District was able to recover significant funding adjustments from prior years with property value studies. This resulted in actual revenues exceeded the budget (which was based solely on current allotments).

11 Instruction – The budget underestimated the impacts of teacher raises and the year end payroll accrual.

53 Data Processing – The budget anticipated copier contracts to be considered a lease and reported until function 71. After review, the copier costs were considered maintenance costs and reported un function 53.

Discussion Draft

PENSION INFORMATION

The following significant assumptions were used in developing the pension liability:

Valuation Date	August 31, 2024, Rolled Forward
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Investment Rate of Return	7.00%
Single Discount Rate	7.00%
Salary Increases Including Inflation	3.2% to 9.2% including inflation
Inflation	2.3%
Ad Hoc Post-Employment Benefit Changes	None
Municipal Bond Rate	5.23% Bond Buyers 20 Index

The following changes to the actuarial assumptions or other inputs affected the measurement of the pension liability:

2025	None
2024	None
2023	None
2022	Expected rate of return reduced from 7.25% to 7.00%
	Municipal bond rate increased from 1.95% to 3.91%
2021	Municipal bond rate reduced from 2.3 to 1.95%
2020	Municipal bond rate reduced from 2.6 to 2.3%
2019	Municipal bond rate reduced from 3.7 to 2.6%
2018	Inflation rate reduced from 2.5 to 2.3%
	Expected rate of return reduced from 8% to 7.25%
	Salary increases reduced from 3.5-9.5% to 3.05-9.05%

There have been no changes of benefit terms impacting the schedule.

Discussion Draft

OPEB INFORMATION

The following significant assumptions were used in developing the OPEB liability:

Valuation Date	August 31, 2024, Rolled forward
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	5.23%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.20% to 9.20%, including inflation
Election Rates	62% participation prior to age 65 25% participation after age 65 30% of pre-65 assumed to discontinue at age 65
Ad hoc post-employment benefit changes	None

The following changes to the actuarial assumptions or other inputs affected the measurement of the OPEB liability:

2025	Discount rate increased from 3.87% to 5.23%
2024	Discount rate decreased from 4.13% to 3.87%
2023	Discount rate increased from 3.91% to 4.13%
2022	Discount rate increased from 1.95% to 3.91%
2021	Discount rate decreased from 2.33 to 1.95%
2020	Discount rate decreased from 2.63 to 2.33%
	Participation rate for post-65 retirees lowered from 50 to 40%
	Health care trend rate lowered from 4.5 to 4.25%
2019	Discount rate decreased from 3.69 to 2.63%
	Election rates reduced from 70 to 65%
2018	Inflation rate reduced from 2.5 to 2.3%
	Discount rate reduced from 3.42 to 3.69%
	Salary increases reduced from 3.5-9.5% to 3.05-9.05%

There have been no changes of benefit terms impacting the schedule.

Discussion Draft



Draft

SUPPLEMENTARY INFORMATION

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

Discussion Draft

LA VERNIA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEETS
NONMAJOR FUNDS
JUNE 30, 2026

Data Control Codes		211 Title I Part A	224 IDEA B Formula	225 IDEA B Preschool	226 IDEA B High Cost
	ASSETS:				
1110	Cash and Cash Equivalents	$ 101,896	$ 67,240	$ -	$ -
1240	Due from Other Governments	51,499	63,867	-	49,985
1000	*Total Assets*	$ 153,395	$ 131,107	$ -	$ 49,985
	LIABILITIES:				
2110	Accounts Payable	$ -	$ -	$ -	$ -
2160	Accrued Wages Payable	153,395	131,107	-	-
2170	Due to Other Funds	-	-	-	49,985
2000	*Total Liabilities*	153,395	131,107	-	49,985
	FUND BALANCES:				
	Restricted Fund Balances:				
3450	Federal/State Grant Restrictions	-	-	-	-
3490	Other Restrictions	-	-	-	-
	Committed Fund Balances:				
3545	Other - Campus Activities	-	-	-	-
3000	*Total Fund Balances*	-	-	-	-
4000	Total Liabilities and Fund Balance	$ 153,395	$ 131,107	$ -	$ 49,985

Discussion Draft

240 National School Lunch	244 Carl Perkins	255 ESEA Title II Part A	289 Other Federal Programs	385 State Visually Impaired
$ 264,704	$ -	$ -	$ -	$ -
3,992	5,230	22,665	-	-
$ 268,696	$ 5,230	$ 22,665	$ -	$ -
$ -	$ -	$ -	$ -	$ -
57,206	-	-	-	-
-	5,230	22,665	-	-
57,206	5,230	22,665	-	-
211,490	-	-	-	-
-	-	-	-	-
-	-	-	-	-
211,490	-	-	-	-
$ 268,696	$ 5,230	$ 22,665	$ -	$ -

Discussion Draft

LA VERNIA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEETS (CONTINUED)
NONMAJOR FUNDS
JUNE 30, 2026

Data Control Codes		392 Non-Educational Support	410 State Textbook	429 State Special Revenue	461 Campus Activity Funds
	ASSETS:				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ 692,857
1240	Due from Other Governments	-	90,520	1,000	-
1000	*Total Assets*	$ -	$ 90,520	$ 1,000	$ 692,857
	LIABILITIES:				
2110	Accounts Payable	$ -	$ -	$ 10	3,831
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	90,520	990	-
2000	*Total Liabilities*	-	90,520	1,000	3,831
	FUND BALANCES:				
	Restricted Fund Balances:				
3450	Federal/State Grant Restrictions	-	-	-	-
3490	Other Restrictions	-	-	-	-
	Committed Fund Balances:				
3545	Other - Campus Activities	-	-	-	689,026
3000	*Total Fund Balances*	-	-	-	689,026
4000	Total Liabilities and Fund Balance	$ -	$ 90,520	$ 1,000	$ 692,857

Discussion Draft

489 Foundation Donations	499 UIL Events	Total Nonmajor Funds
$ 34,017	$ 6,589	$ 1,167,303
-	-	288,758
$ 34,017	$ 6,589	$ 1,456,061
$ -	$ -	$ 3,841
-	-	341,708
-	-	169,390
-	-	514,939
-	-	211,490
34,017	6,589	40,606
-	-	689,026
34,017	6,589	941,122
$ 34,017	$ 6,589	$ 1,456,061

Discussion Draft

LA VERNIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

Data Control Codes		211 Title I Part A	224 IDEA B Formula	225 IDEA B Preschool	226 IDEA B High Cost
	REVENUES				
5700	Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	314,720	666,068	10,088	49,985
5020	**Total Revenues**	314,720	666,068	10,088	49,985
	EXPENDITURES				
	Current:				
0011	Instruction	286,920	413,241	10,088	49,985
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Staff Development	-	72,447	-	-
0021	Instructional Leadership	27,800	-	-	-
0031	Guidance Counseling	-	177,999	-	-
0033	Health Services	-	2,381	-	-
0035	Food Service	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
6030	**Total Expenditures**	314,720	666,068	10,088	49,985
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balances - Beginning	-	-	-	-
3000	Fund Balances - Ending	$ -	$ -	$ -	$ -

Discussion Draft

240 National School Lunch	244 Carl Perkins	255 Title II Part A	289 Other Federal Programs	385 State Visually Impaired
$ 600,501	$ -	$ -	$ -	$ -
6,944	-	-	-	3,960
633,139	35,598	89,793	1,424	-
1,240,584	35,598	89,793	1,424	3,960
-	35,598	-	1,424	-
-	-	-	-	-
-	-	89,793	-	-
-	-	-	-	-
-	-	-	-	3,960
-	-	-	-	-
1,340,619	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,340,619	35,598	89,793	1,424	3,960
(100,035)	-	-	-	-
311,525	-	-	-	-
$ 211,490	$ -	$ -	$ -	$ -

Discussion Draft

LA VERNIA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2026

Data Control Codes		392 Non-Educational Support	410 State Textbooks	429 State Special Revenue	461 Campus Activity Funds
	REVENUES				
5700	Local and Intermediate Sources	$ -	$ -	$ -	$ 871,204
5800	State Program Revenues	4,900	188,307	1,000	638
5900	Federal Program Revenues	-	-	-	-
5020	**Total Revenues**	4,900	188,307	1,000	871,842
	EXPENDITURES				
	Current:				
0011	Instruction	4,900	188,307	-	257,261
0012	Instructional Resources and Media Services	-	-	-	43,825
0013	Curriculum and Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0031	Guidance Counseling	-	-	-	-
0033	Health Services	-	-	-	-
0035	Food Service	-	-	-	-
0036	Extracurricular Activities	-	-	-	393,256
0041	General Administration	-	-	1,000	-
6030	**Total Expenditures**	4,900	188,307	1,000	694,342
1200	Net Change in Fund Balances	-	-	-	177,500
0100	Fund Balances - Beginning	-	-	-	511,526
3000	Fund Balances - Ending	$ -	$ -	$ -	$ 689,026

Discussion Draft

489 Foundation Donations	499 UIL Events	Total Nonmajor Funds
$ 114,972	$ -	$ 1,586,677
-	10	205,759
-	-	1,800,815
114,972	10	3,593,251
120,178	-	1,367,902
-	-	43,825
-	-	162,240
-	-	27,800
-	-	181,959
-	-	2,381
-	-	1,340,619
-	11,570	404,826
-	-	1,000
120,178	11,570	3,532,552
(5,206)	(11,560)	60,699
39,223	18,149	880,423
$ 34,017	$ 6,589	$ 941,122

Discussion Draft

EXHIBIT J-2

LA VERNIA INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
FOR THE YEAR ENDED JUNE 30, 2026

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget
	REVENUES				
5700	Local and Intermediate Sources	$ 800,000	$ 800,000	$ 600,501	$ (199,499)
5800	State Program Revenues	7,000	7,000	6,944	(56)
5900	Federal Program Revenues	705,000	705,000	633,139	(71,861)
5020	**Total Revenues**	1,512,000	1,512,000	1,240,584	(271,416)
	EXPENDITURES				
0035	Food Services	1,507,081	1,507,081	1,340,619	166,462
6030	**Total Expenditures**	1,507,081	1,507,081	1,340,619	166,462
1200	Net Change in Fund Balance	4,919	4,919	(100,035)	(104,954)
0100	**Fund Balance - Beginning**	311,525	311,525	311,525	-
3000	**Fund Balance - Ending**	$ 316,444	$ 316,444	$ 211,490	$ (104,954)

Discussion Draft

EXHIBIT J-3

LA VERNIA INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2026

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget
	REVENUES				
5700	Local and Intermediate Sources	$ 8,959,427	$ 8,959,427	$ 5,815,999	$ (3,143,428)
5800	State Program Revenues	483,853	483,853	2,250,673	1,766,820
5020	**Total Revenues**	9,443,280	9,443,280	8,066,672	(1,376,608)
	EXPENDITURES				
0071	Principal and Long-Term Debt	5,385,000	5,385,000	5,855,000	(470,000)
0072	Interest on Long-Term Debt	4,053,780	4,053,780	4,059,507	(5,727)
0073	Bond Issuance Costs and Fees	4,500	4,500	4,975	(475)
6030	**Total Expenditures**	9,443,280	9,443,280	9,919,482	(476,202)
1200	Net Change in Fund Balance	-	-	(1,852,810)	(1,852,810)
0100	**Fund Balance - Beginning**	11,573,302	11,573,302	11,573,302	-
3000	**Fund Balance - Ending**	$ 11,573,302	$ 11,573,302	$ 9,720,492	$ (1,852,810)

Discussion Draft



Draft

OTHER INFORMATION

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

Discussion Draft

LA VERNIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2026

Year Ended June 30,	1 Tax Rates Maintenance	2 Tax Rates Debt Service	3 Assessed/Appraised Value for School Tax Purposes*
2016 and Prior Years	$ Various	$ Various	$ Various
2017	1.0400	0.3550	970,265,591
2018	1.0400	0.3750	982,781,484
2019	1.0400	0.3950	1,112,101,185
2020	0.9700	0.3950	1,171,976,630
2021	0.9337	0.3950	1,379,818,785
2022	0.8720	0.3950	1,456,878,374
2023	0.8546	0.3950	1,661,353,073
2024	0.6692	0.3950	1,569,220,952
2025	0.6669	0.3950	1,735,226,858
2026 (School Year Under Audit)*	0.6669	0.3550	1,693,052,745

1000 Totals

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

8000 - Total Taxes Refunded under Section 26.115c

*Represents net taxable value after applicable exemptions, freeze adjustments, and discounts.

Discussion Draft

10 Beginning Balance 7/1/25	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/26	99
$ 213,347	$ -	$ 3,979	$ 1,358	$ (2,821)	$ 205,189	
21,177	-	675	230	(448)	19,824	
29,961	-	627	226	(307)	28,801	
41,241	-	1,111	422	(759)	38,949	
34,443	-	1,382	563	(313)	32,185	
30,040	-	4,537	1,919	(338)	23,246	
76,359	-	14,360	6,505	(2,641)	52,853	
126,790	-	16,474	7,614	(8,717)	93,985	
164,635	-	12,236	7,222	(35,199)	109,978	
499,123	-	130,044	77,025	(101,853)	190,201	
-	17,301,306	10,829,643	5,516,607	(398,534)	556,522	
$ 1,237,116	$ 17,301,306	$ 11,015,068	$ 5,619,691	$ (551,930)	$ 1,351,733	
$ -	$ -	$ -	$ -	$ -	$ -	

$ -

Discussion Draft

EXHIBIT J-4

LA VERNIA INDEPENDENT SCHOOL DISTRICT
SPECIAL PROGRAM COMPLIANCE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2026

Data Control Codes		Responses
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	$ 75,525
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25)	$ 118,768

Discussion Draft

EXHIBIT L-1

LA VERNIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2026

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district issued a warrant hold?	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	$ -

Discussion Draft



Draft

COMPLIANCE SECTION

Discussion Draft

INDEPENDENT AUDITOR'S REPORT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
La Vernia Independent School District
La Vernia, TX

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Vernia Independent School District as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise La Vernia Independent School District's basic financial statements, and have issued our report thereon dated November 9, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered La Vernia Independent School District's internal control over financial reporting (internal control) to determine the 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 La Vernia Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of La Vernia Independent School District's internal control.

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

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

Discussion Draft

Report on Compliance and Other Matters

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

We noted certain matters that we have reported to management in a separate letter dated November 9, 2026.

Purpose of this Report

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

Respectfully submitted,

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

November 9, 2026

Discussion Draft

INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Trustees
La Vernia Independent School District
La Vernia, TX

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited La Vernia Independent School District's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2026. La Vernia Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, La Vernia Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2026.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

.

Discussion Draft

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

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

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

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Discussion Draft

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

November 9, 2026

Discussion Draft

LA VERNIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2026

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Any material weaknesses identified?	____ Yes	__X__ No
Any significant deficiencies identified?	____ Yes	__X__ No
Noncompliance material to financial Statements noted?	____ Yes	__X__ No

2. Federal Awards

Internal control over major programs:		
Any material weaknesses identified?	____ Yes	__X__ No
Any significant deficiencies identified?	____ Yes	__X__ No
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	__X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027A, 84.173A	IDEA-B Cluster

Dollar threshold used to distinguish between Type A and type B Programs:	$1,000,000	
Auditee qualified as low-risk auditee?	__X__ Yes	___ No

B. Financial Statement Findings: NONE

C. Federal Award Findings and Questioned Costs: NONE

D. Prior Audit Findings Related to Federal Awards: NONE

Discussion Draft

EXHIBIT K-1

LA VERNIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2026

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency			
Title I Part A- Improving Basic Programs	84.010A	26610101247903	$ 314,720
IDEA-B Formula*	84.027A	266600012479036000	666,068
IDEA-B High Cost*	84.027A	66002606	49,985
IDEA-B Preschool*	84.173A	266610012479036000	10,088
Title II Part A - Teacher & Principal Training & Recruiting	84.367A	26694501247903	89,793
Title IV Part A Subpart 1	84.424A	26680101247903	1,424
Carl Perkins	84.048A	26420006247903	35,598
TOTAL U.S. DEPARTMENT OF EDUCATION			1,167,676
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Texas Department of Agriculture:			
School Breakfast Program*	10.553	71402601	77,932
National School Lunch*	10.555	71302601	435,396
Commodities*#	10.555	247-903	119,811
TOTAL U.S. DEPARTMENT OF AGRICULTURE			633,139
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,800,815

*Indicates clustered program under OMB Compliance Supplement
- Indicates Non-cash Assistance

ALN Totals	
84.027	$ 716,053
10.555	555,207
Cluster Totals	
IDEA-B	726,141
Child Nutrition	633,139

Discussion Draft

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2026

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, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

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 measurement focus. All Federal grant funds were accounted for in the General Fund or Special Revenue Fund, which are Governmental Fund types. 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 and Agency Funds. This basis of accounting recognizes revenue 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 revenue until earned.

3. According to AAG-SLG Appendix D, Questions and Answers, most Medicaid arrangements between states and providers (SHARS) are contracts for services and not Federal assistance, they should not appear on the Schedule of Expenditures of Federal Awards.

4. The District has not elected to use the 15% de minimis indirect cost rate as allowed by Uniform Guidance.

5. Reconciliation of the Schedule of Expenditures of Federal Awards to Exhibit C-2 is as follows:

Federal Program Revenues and Expenditures:		
General Fund	$	38,641
Special Revenue Fund		1,800,815
		1,839,456
Less:		
Shared Health and Related Services (SHARS)		(38,641)
Total per Schedule of Expenditures of Federal Awards (See Exhibit K-1)	$	1,800,815

Discussion Draft



Draft