Jarrell Independent School District

Annual Financial Report

June 30, 2026

Discussion Draft

Jarrell Independent School District

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Certificate of Board

Jarrell Independent School District	**Williamson County**	**246-907**

We, the undersigned, certify that the attached annual financial and compliance reports of the above-named independent school district were reviewed and approved for the year ended June 30, 2026 at a meeting of the Board of School Trustees of such independent school district on the 18th day of November, 2026.

Board Secretary

Board President

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INDEPENDENT AUDITOR'S REPORT

The Board of School Trustees
Jarrell Independent School District:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Jarrell Independent School District (the "District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages viii through xv, the budgetary comparison information on pages 47 through 48, and the schedules of the District's proportionate share of the

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net pension/OPEB liabilities and contributions on pages 49 through 56 (collectively, "the required supplementary information") be presented to supplement the basic financial statements.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary schedules, as listed in the table of contents, except for the Schedule Bilingual Education Allotment Program Expenditures, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of federal awards and the other supplementary information, except for the Schedule of Bilingual Education Allotment Program Expenditures, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or 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 schedule of expenditures of federal awards and the other supplementary information, except for the Schedule of Bilingual Education Allotment Program Expenditures, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Information

Management is responsible for the other information, the Schedule of Bilingual Education Allotment Program Expenditures on page 62, included in the annual financial report. The other information comprises the Schedule of Bilingual Education Allotment Program Expenditures on page 62, but does not include the basic financial statements and our auditor's report the other

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information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

_____, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report for Jarrell Independent School District (the "District") presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2026. Please read it in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

The *government-wide statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, etc.).

The governmental activities of the District include all of the District's basic services, such as instruction, extracurricular activities, curriculum and staff development, and general administration. Property taxes, state aid, and grants finance most of these activities. Business-type activities include the operation of the District's after-school care program.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds, proprietary funds, or fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term

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inflows and outflows or spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the District's near-term financing requirements.

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

The District maintains sixteen individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

The District adopts an annual appropriated budget for its general fund, child nutrition program fund, and debt service fund. Budgetary comparison statements are included in supplemental information to demonstrate compliance with these budgets.

Proprietary Funds

The District maintains two types of proprietary funds. The District utilizes an enterprise fund to account for its after-school care program. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its self-insured workers' compensation insurance services. Because these services benefit governmental activities, it has been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The private purpose trust fund is used to report resources held in trust for scholarships. The custodial fund reports resources held by the District in a custodial capacity for student groups.

Notes to the Financial Statements and Other Information

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide pension and OPEB benefits. Additional supplementary information is presented as required by the Texas Education Agency.

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FINANCIAL SUMMARY AND DETAILED ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $23,779,710 at the close of the most recent fiscal year.

Jarrell Independent School District
Net Position
June 30, 2026 and 2025

	Total Primary Government	
	2026	2025
Current and other assets	$ 92,526,470	108,562,002
Capital assets	419,521,808	356,707,465
Total assets	512,048,278	465,269,467
Deferred outflows of resources	13,598,751	15,187,886
Current liabilities	20,847,426	26,151,316
Long-term liabilities	472,873,118	421,200,672
	493,720,544	447,351,988
Deferred inflows of resources	8,146,775	7,548,237
Net position:		
Net investment in capital assets	777,386	6,591,245
Restricted	33,116,616	28,832,759
Unrestricted	(10,114,292)	(9,866,876)
	$ 23,779,710	25,557,128

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The District has a net investment in capital assets of $777,386 at June 30, 2026, which reflects its investment in capital assets (e.g., land, buildings and improvements, construction in process, and furniture and equipment) less any outstanding debt that was used to acquire those assets. The District uses its capital assets to provide public educational services to its students. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position ($33,116,616) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of $10,114,292.

Jarrell Independent School District
Changes in Net Position
Years Ended June 30, 2026 and 2025

	Total Primary Government	
	2026	2025
Revenues:		
Program revenues:		
Charges for services	$ 1,816,592	1,685,458
Operating grants and contributions	14,578,929	10,107,216
General revenues:		
Maintenance and operations property taxes	21,792,396	22,336,768
Debt service property taxes	16,277,709	16,679,016
State aid formula grants	25,289,462	19,516,426
Investment revenue	3,539,452	5,512,920
Miscellaneous	216,133	444,396
Total revenue	83,510,673	76,282,200
Expenses:		
Instruction	37,712,280	31,907,780
Instructional resources and media services	776,785	652,996
Curriculum development and instructional staff development	1,507,617	1,700,234
Instructional leadership	204,797	227,145
School leadership	3,867,232	3,344,477
Guidance, counseling and evaluation services	2,124,278	1,916,047
Health services	514,605	538,220
Student transportation	3,814,126	2,750,565
Food services	3,088,891	2,285,646
Extracurricular activities	2,132,908	1,850,447
General administration	2,457,354	2,413,191
Facilities maintenance and operations	6,352,427	5,567,585
Security and monitoring services	1,341,178	1,146,093
Data processing services	1,534,013	1,276,464
Community services	725,297	650,886
Interest on long-term debt	16,175,995	12,957,541
Bond issuance costs and fees	579,596	862,923
Payment to JJAEP	142,147	235,845
Payment to county appraisal district	236,565	233,669
Total expenses	85,288,091	72,517,754
Increase (decrease) in net position	(1,777,418)	3,764,446
Net position, beginning of year	25,557,128	21,792,682
Net position, end of year	$ 23,779,710	25,557,128

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The District recognized a decrease in net position of $1,777,418, compared to an increase of $3,764,446 in the prior year. During the fiscal year, net position decreased to $23,779,710 as a result of the following:

- Operating grants and contributions increased approximately $4.5 million. The increase was primarily attributable to a $3.2 million increase in state existing debt allotment funding, resulting from additional eligible bonded debt and a slight decrease in property values that increased the state's share of debt service funding. In addition, TRS on-behalf revenue increased approximately $0.5 million due to higher covered payroll that resulted from additional staffing and the Teacher Retention Allotment passed in Texas House Bill 2, which increased classroom teacher salaries for the current year. Federal grant revenues also increased approximately $0.5 million as a result of the District claiming indirect costs under its federal and state awards in the current year that it did not claim in the prior year.

- Property tax revenues decreased approximately $0.9 million due to a slight decrease in property values from 2025 to 2026. The M&O and I&S tax rates did not change from the prior year.

- State aid increased by approximately $5.8 million due to a continued increase in attendance for the District and the state funding formula.

- Interest income decreased approximately $2.0 million, primarily due to reduction in investment balances resulting from continuing to incur construction costs for completion of significant renovations at the high school, the new middle school, and the new operations center. Additionally, construction continued on significant renovations at the junior high, the new elementary campus, the after-school campus, and various other building improvement projects.

- The cost of all governmental activities this year was $85.3 million, an increase of approximately $12.8 million from the prior year. Instructional costs increased approximately $5.8 million due to higher payroll and related benefits that resulted from additional staffing needed for the new middle school and the expansion at the high school. Student transportation costs increased approximately $1.1 million as a result of additional bus routes needed for the new campuses. Food services increased approximately $0.8 million due to the continued increase in enrollment, while facilities maintenance and operations costs increased approximately $0.8 million as additional campuses became operational. Interest expense increased approximately $3.2 million due to the issuance of $55 million of construction bonds during the current year and $100 million during the prior year.

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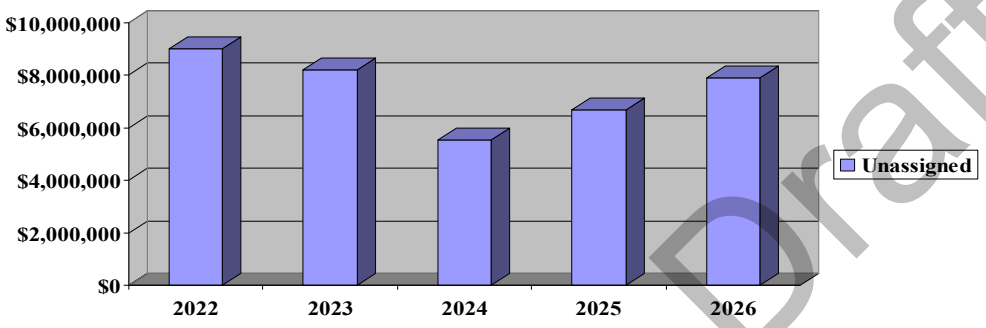
Governmental Funds

The District's Board of School Trustees annually monitors the relative unassigned fund balance in the District's General Fund. Most districts have an unassigned fund balance goal of 15% of the budget, or two to three months of operations costs for their fund balance. The unassigned fund balance in the General Fund increased in 2026 from $6,684,640 to $7,906,141. The graph below reflects the historical trend fund balance for unassigned fund balance of the General Fund.



The fund balance of the General Fund increased by $1,221,501 during the current fiscal year, compared to an increase of $1,140,202 in the prior year. Key factors in this change are as follows:

- Property tax revenues decreased approximately $0.6 million due to a slight decrease in property values. The M&O tax rate did not change from the prior year. State aid increased by approximately $6.0 million due to the continued increase in attendance for the District and the state funding formula.

- Total expenditures were $51.4 million in 2026 versus $44.5 million in 2025. Salaries and benefits increased due to higher payroll and related benefits that resulted from added staff positions as a result of the continued increased enrollment within the District and the completion of the new middle school and the high school addition. Instruction also increased approximately $0.6 million due to the purchase of new chromebooks, workstations, and other technology related upgrades. Transportation and maintenance and operations expenditures also increased due to the addition of new middle school campus resulting from continued increased enrollment within the District.

In the debt service fund, the District has debt obligations that are paid on August 15th of each year. Collection of local taxes to pay the debt obligations does not begin until November of each year. Therefore, the District needed to end the fiscal year with enough reserves to pay those August 15th obligations for the next fiscal year, in addition to any reserves to cover possible shortfalls in future years' tax collections. The entire amount of fund balance in the debt service fund is restricted for retirement of long-term debt.

Expenditures of approximately $73.2 million were recognized in the capital projects fund for ongoing construction and improvement projects throughout the District as more fully described in Note 8. The entire amount of fund balance in the capital projects fund is restricted for construction and other capital improvements throughout the District.

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SIGNIFICANT CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2026 amounts to $419.5 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and furniture and equipment.

In addition to the ongoing construction in progress, major capital asset activity during the year included approximately $0.7 million for the purchase of new school buses and $0.8 million for purchase of chromebooks, workstations and other related technology equipment throughout the District.

Construction in progress at June 30, 2026 includes the following ongoing projects:

- $50.1 million for ongoing construction on a new fourth elementary school;
- $58.1 million for phase two of the expansion of the high school campus;
- $7.0 million for ongoing construction of Paw Prints – After School Program Center;
- $4.4 million for ongoing construction of administration annex building; and
- $1.8 million for construction on a fifth elementary school.

The completion of these projects will be funded with existing bond proceeds and the remaining $67 million of bonds authorized by the board of school trustees in 2023 but not yet issued.

Additional information on the District's capital assets can be found in Note 8.

Long-term Financing

The State of Texas backs the District's bonds with its "AAA/stable" rating. This bond rating helps the District by reducing the costs of any debt issued. At the end of the current fiscal year, the District had total bonded debt outstanding of $453.1 million, accumulated accretion on bonds of $0.5 million, and capital financing lease liability of $0.6 million.

During the current year, the District issued bonded debt in the amount of $55 million, and received premiums on the bonds in the amount of $3.2 million. The District also entered into a $0.8 million capital financing lease for chromebooks, workstations, and other related technology equipment throughout the District. Reductions in long-term debt were the result of scheduled principal payments.

Additional information on the District's long-term debt can be found in Note 9.

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CURRENT KNOWN FACTS, DECISIONS, OR CONDITIONS

The District expects enrollment growth to continue during fiscal year 2027. As a result, the District anticipates an increase in state aid funding. The tax rate adopted for fiscal year 2027 is $1.1668 per $100 of taxable assessed valuation, a minor decrease from the fiscal year 2026 tax rate.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Central Office, Jarrell Independent School District, 504 N. 5th Street, Jarrell, Texas 76537.

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Basic Financial Statements

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Exhibit A-1

Jarrell Independent School District

Statement of Net Position

June 30, 2026

Data Control Codes		Governmental Activities	Business-Type Activities	Total Primary Government
	Assets			
1110	Cash and cash equivalents	$ 83,243,023	46,313	83,289,336
1225	Property taxes receivable, net of allowance for uncollectibles of $168,332	1,514,985	-	1,514,985
1240	Due from other governments	7,722,149	-	7,722,149
1260	Internal balances	(37)	37	-
	Capital assets, not depreciated:			
1510	Land	6,818,440	-	6,818,440
1580	Construction in progress	121,389,130	-	121,389,130
	Capital assets, net of accumulated depreciation:			
1520	Buildings and improvements, net	276,229,661	-	276,229,661
1530	Furniture and equipment, net	15,084,577	-	15,084,577
1000	Total assets	512,001,928	46,350	512,048,278
	Deferred Outflows of Resources			
1700	Deferred ouflows of resources	13,598,751	-	13,598,751
	Liabilities			
2110	Accounts payable	9,023,277	4,232	9,027,509
2140	Accrued interest payable	6,698,933	-	6,698,933
2160	Accrued wages payable	4,488,188	40,726	4,528,914
2200	Accrued expenses	468,688	1,392	470,080
2300	Unearned revenue	121,990	-	121,990
	Noncurrent liabilities:			
2501	Due within one year	6,477,207	-	6,477,207
	Due after one year:			
2502	Bonds payable, capital financing, and compensated absences	448,169,035	-	448,169,035
2540	Net pension liability	11,161,346	-	11,161,346
2545	Other postemployment benefits	7,065,530	-	7,065,530
	Total due after one year	466,395,911	-	466,395,911
2000	Total liabilities	493,674,194	46,350	493,720,544
	Deferred Inflows of Resources			
2600	Deferred inflows of resources	8,146,775	-	8,146,775
	Net Position			
3200	Net investment in capital assets	777,386	-	777,386
	Restricted for:			
3820	Grant requirements	1,790,920	-	1,790,920
3850	Debt service	31,325,696	-	31,325,696
3900	Unrestricted	(10,114,292)	-	(10,114,292)
3000	Total net position	$ 23,779,710	-	23,779,710

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See accompanying notes to financial statements.

Exhibit B-1

Jarrell Independent School District

Statement of Activities

Year Ended June 30, 2026

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues 3 Charges for Services	Program Revenues 4 Operating Grants and Contributions	Net Revenues (Expenses) and Changes in Net Position 6 Governmental Activities	7 Business-Type Activities	8 Total Primary Government
	Governmental activities:						
11	Instruction	$ 37,712,280	1,235	4,127,733	(33,583,312)	-	(33,583,312)
12	Instructional resources and media services	776,785	-	46,936	(729,849)	-	(729,849)
13	Curriculum development and instructional staff development	1,507,617	-	167,688	(1,339,929)	-	(1,339,929)
21	Instructional leadership	204,797	-	12,900	(191,897)	-	(191,897)
23	School leadership	3,867,232	-	275,343	(3,591,889)	-	(3,591,889)
31	Guidance, counseling, and evaluation services	2,124,278	-	149,690	(1,974,588)	-	(1,974,588)
33	Health services	514,605	-	38,590	(476,015)	-	(476,015)
34	Student transportation	3,814,126	-	552,733	(3,261,393)	-	(3,261,393)
35	Food services	3,088,891	602,799	2,222,755	(263,337)	-	(263,337)
36	Extracurricular activities	2,132,908	605,079	65,301	(1,462,528)	-	(1,462,528)
41	General administration	2,457,354	-	118,037	(2,339,317)	-	(2,339,317)
51	Facilities maintenance and operations	6,352,427	-	273,050	(6,079,377)	-	(6,079,377)
52	Security and monitoring services	1,341,178	-	692,794	(648,384)	-	(648,384)
53	Data processing services	1,534,013	-	81,579	(1,452,434)	-	(1,452,434)
61	Community services	20,525	-	18,630	(1,895)	-	(1,895)
72	Interest on long-term debt	16,175,995	-	5,682,969	(10,493,026)	-	(10,493,026)
73	Bond issuance costs and fees	579,596	-	-	(579,596)	-	(579,596)
93	Payments to JJAEP	142,147	-	1,132	(141,015)	-	(141,015)
99	Payment to county appraisal district	236,565	-	-	(236,565)	-	(236,565)
	Total governmental activities	84,583,319	1,209,113	14,527,860	(68,846,346)	-	(68,846,346)
	Business-type activities:						
	After-school care	704,772	607,479	51,069	-	(46,224)	(46,224)
	Total primary government	$ 85,288,091	1,816,592	14,578,929	(68,846,346)	(46,224)	(68,892,570)

Data Control Codes				
	General revenues:			
	Taxes:			
MT	Property taxes, levied for general purposes	21,792,396	-	21,792,396
DT	Property taxes, levied for debt service	16,277,709	-	16,277,709
SF	State aid-formula grants	25,289,462	-	25,289,462
IE	Investment earnings	3,539,452	-	3,539,452
MI	Miscellaneous local and intermediate revenue	216,133	-	216,133
FR	Transfers	(37)	37	-
TR	Total general revenues and transfers	67,115,115	37	67,115,152
CN	Change in net position	(1,731,231)	(46,187)	(1,777,418)
NB	Net position, beginning of year	25,510,941	46,187	25,557,128
NE	Net position, end of year	$ 23,779,710	-	23,779,710

Discussion Draft

See accompanying notes to financial statements.

Exhibit C-1

Jarrell Independent School District

Balance Sheet – Governmental Funds

June 30, 2026

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	Assets					
1110	Cash and cash equivalents	$ 7,813,670	30,337,509	42,636,202	2,350,318	83,137,699
1225	Taxes receivable, net of allowance for uncollectibles of $168,332	905,779	609,206	-	-	1,514,985
1240	Due from other governments	6,811,891	378,981	-	531,277	7,722,149
1260	Due from other funds	477,073	-	-	-	477,073
1000	Total assets	$ 16,008,413	31,325,696	42,636,202	2,881,595	92,851,906
	Liabilities					
2110	Accounts payable	$ 180,538	-	8,800,710	42,029	9,023,277
2160	Accrued wages payable	4,424,228	-	-	63,960	4,488,188
2170	Due to other funds	78,353	-	-	467,463	545,816
2200	Accrued expenses	357,800	-	-	10,853	368,653
2300	Unearned revenues	-	-	-	121,990	121,990
2000	Total liabilities	5,040,919	-	8,800,710	706,295	14,547,924
	Deferred Inflows of Resources					
2600	Unavailable property tax revenue	905,779	609,206	-	-	1,514,985
	Fund Balances					
	Restricted for:					
3450	Grant requirements	-	-	-	1,790,920	1,790,920
3470	Construction	-	-	33,835,492	-	33,835,492
3480	Retirement of long-term debt	-	30,716,490	-	-	30,716,490
	Assigned to:					
3570	Equipment	2,155,574	-	-	-	2,155,574
3590	Campus activities	-	-	-	384,380	384,380
3600	Unassigned	7,906,141	-	-	-	7,906,141
3000	Total fund balances	10,061,715	30,716,490	33,835,492	2,175,300	76,788,997
4000	Total liabilities, deferred inflows of resources, and fund balances	$ 16,008,413	31,325,696	42,636,202	2,881,595	92,851,906

Discussion Draft

See accompanying notes to financial statements.

Exhibit C-2

Jarrell Independent School District

Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Position for Governmental Activities

June 30, 2026

Total fund balances - governmental funds (Exhibit C-1)	$	76,788,997
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		419,521,808
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable revenue in the funds.		1,514,985
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service fund are included in the governmental statement of net position.		73,995
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(474,120,075)
Net position of governmental activities (Exhibit A-1)	$	23,779,710

Discussion Draft

See accompanying notes to financial statements.

Exhibit C-3

Jarrell Independent School District

Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds

Year Ended June 30, 2026

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	Revenues:					
5700	Local and intermediate sources	$ 22,456,061	17,015,265	2,153,833	1,167,801	42,792,960
5800	State program revenues	29,026,283	5,682,969	-	658,702	35,367,954
5900	Federal program revenues	387,725	-	-	3,068,967	3,456,692
5020	Total revenues	51,870,069	22,698,234	2,153,833	4,895,470	81,617,606
	Expenditures:					
	Current:					
0011	Instruction	29,690,938	-	-	1,626,279	31,317,217
0012	Instructional resources and media services	488,451	-	-	-	488,451
0013	Curriculum development and instructional staff development	1,413,348	-	-	44,745	1,458,093
0021	Instructional leadership	113,862	-	-	-	113,862
0023	School leadership	3,191,471	-	-	-	3,191,471
0031	Guidance, counseling, and evaluation services	1,885,948	-	-	-	1,885,948
0033	Health services	374,926	-	-	-	374,926
0034	Student transportation	2,959,102	-	790,862	-	3,749,964
0035	Food service	-	-	-	2,752,015	2,752,015
0036	Extracurricular activities	1,274,842	-	-	545,875	1,820,717
0041	General administration	1,767,743	-	-	-	1,767,743
0051	Facilities maintenance and operations	5,473,902	-	64,000	-	5,537,902
0052	Security and monitoring services	987,415	-	-	196,000	1,183,415
0053	Data processing services	1,207,395	-	126,981	-	1,334,376
0093	Payments to JJAEP	141,721	-	-	-	141,721
0099	Payment to county appraisal district	236,565	-	-	-	236,565
	Debt service:					
0071	Principal on long-term debt	207,606	4,469,705	-	-	4,677,311
0072	Interest on long-term debt	-	16,413,360	-	-	16,413,360
0073	Bond issuance cost and fees	-	7,575	572,021	-	579,596
	Capital outlay:					
0081	Facilities acquisition	-	-	71,596,597	-	71,596,597
6030	Total expenditures	51,415,235	20,890,640	73,150,461	5,164,914	150,621,250
1100	Excess (deficiency) of revenues over (under) expenditures	454,834	1,807,594	(70,996,628)	(269,444)	(69,003,644)
	Other financing sources (uses):					
7911	Issuance of school building bonds	-	-	55,000,000	-	55,000,000
7914	Issuance of capital financing lease	758,157	-	-	-	758,157
7915	Transfers in	8,547	-	-	-	8,547
7916	Premiums on bonds	-	2,610,255	572,021	-	3,182,276
8911	Transfers out	(37)	-	-	-	(37)
7080	Total other financing sources (uses)	766,667	2,610,255	55,572,021	-	58,948,943
1200	Net change in fund balance	1,221,501	4,417,849	(15,424,607)	(269,444)	(10,054,701)
0100	Fund balances, beginning of year	8,840,214	26,298,641	49,260,099	2,444,744	86,843,698
3000	Fund balances, end of year	$ 10,061,715	30,716,490	33,835,492	2,175,300	76,788,997

Discussion Draft

See accompanying notes to financial statements.

Exhibit C-4

Jarrell Independent School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2026

Net change in fund balances - total governmental funds (Exhibit C-3)	$ (10,054,701)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital expenditures ($73,336,594) exceeded depreciation expense ($10,522,251) in the current period.	62,814,343
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	266,675
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(54,025,757)
Governmental funds report contributions to pension and OPEB plans as expenditures, whereas pension/OPEB expense is recognized in the statement of activities. This is the amount by which pension/OPEB expense ($2,221,357) exceeds contributions to the plans ($1,498,006) .	(723,351)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.	(82,435)
Internal service funds are used by management to charge the costs of certain services to individual funds. The change in net position of the internal service fund is reported with governmental activities.	73,995
Change in net position of governmental activities (Exhibit B-1)	$ (1,731,231)

Discussion Draft

See accompanying notes to financial statements.

Exhibit D-1

Jarrell Independent School District

Statement of Net Position -
Proprietary Funds

June 30, 2026

	Business Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Assets		
Current assets:		
Cash and cash equivalents	$ 46,313	$ 105,324
Due from other funds	37	68,706
Total current assets	46,350	174,030
Total assets	46,350	174,030
Liabilities		
Current liabilities:		
Accounts payable	4,232	-
Accrued wages payable	40,726	-
Accrued expenses	1,392	-
Total current liabilities	46,350	-
Noncurrent liabilities:		
Accrued expenses	-	100,035
Total noncurrent liabilities	-	100,035
Total liabilities	46,350	100,035
Net Position		
Unrestricted	-	73,995
Total net position	$ -	$ 73,995

Discussion Draft

See accompanying notes to financial statements.

Exhibit D-2

Jarrell Independent School District

Statement of Revenues, Expenses and
Changes in Net Position -
Proprietary Funds

Year Ended June 30, 2026

Discussion Draft

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Operating revenues:		
Charges for services	$ 607,479	$ 109,668
Total operating revenues	607,479	109,668
Operating expenses:		
Personnel services	687,547	-
Supplies and materials	17,225	-
Other operating costs	-	27,294
Total operating expenses	704,772	27,294
Operating income (loss)	(97,293)	82,374
Noncapital subsidies:		
Intergovernmental revenue	51,069	-
Transfers in	37	-
Transfers out	-	(8,547)
Total noncapital subsidies	51,106	(8,547)
Other nonoperating revenues:		
Interest income	-	168
Total other nonoperating revenues	-	168
Change in net position	(46,187)	73,995
Net position, beginning of year	46,187	-
Net position, end of year	$ -	$ 73,995

See accompanying notes to financial statements.

Exhibit D-3

Jarrell Independent School District

Statement of Cash Flows -
Proprietary Funds

Year Ended June 30, 2026

	Business Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Cash flows from operating activities:		
Cash received from customers	$ 607,442	$ 109,668
Cash paid to employees	(539,328)	-
Cash paid to suppliers for goods and services	(157,088)	(19,457)
Net cash provided by (used in) operating activities	(88,974)	90,211
Cash flows from non-capital financing activities:		
Intergovernmental revenue	51,069	-
Transfers from other funds	37	-
Transfers to other funds	-	(8,547)
Net cash provided by (used in) non-capital financing activities	51,106	(8,547)
Cash flows from investing activities:		
Investment income	-	168
Net cash provided by investing activities	-	168
Net increase (decrease) in cash and cash equivalents	(37,868)	81,832
Cash and cash equivalents, beginning of year	84,181	23,492
Cash and cash equivalents, end of year	$ 46,313	$ 105,324
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ (97,293)	$ 82,374
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Due from other funds	(37)	40,963
Increase (decrease) in liabilities:		
Accounts payable	4,209	(19,455)
Accrued wages payable	7,980	-
Accrued expenses	(3,833)	(13,671)
Net cash provided by (used in) operating activities	$ (88,974)	$ 90,211

See accompanying notes to financial statements.

Discussion Draft

Exhibit E-1

Jarrell Independent School District

Statement of Fiduciary Net Position -
Fiduciary Funds

June 30, 2026

	Private Purpose Trust Fund	Custodial Fund
Assets		
Cash and cash equivalents	$ 38,405	91,280
Total assets	38,405	91,280
Liabilities		
Accounts payable	-	2,641
Total liabilities	-	2,641
Net Position		
Restricted for individuals and organizations	$ 38,405	88,639

Discussion Draft

See accompanying notes to financial statements.

Exhibit E-2

Jarrell Independent School District

Statement of Changes in Fiduciary Net Position -
Fiduciary Funds

Year Ended June 30, 2026

Discussion Draft

	Private Purpose Trust Fund	Custodial Fund
Additions		
Contributions	$ 1,869	-
Collections for student organizations	-	134,363
Interest	130	148
Total additions	1,999	134,511
Deductions		
Scholarships awarded	1,500	-
Payment of expenses for student organizations	-	106,080
Total deductions	1,500	106,080
Change in net position	499	28,431
Net position, beginning of year	37,906	60,208
Net position, end of year	$ 38,405	88,639

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The Board of School Trustees (the "Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Jarrell Independent School District (the "District"). Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity". Also, no component units were identified or included within the reporting entity.

The accounting policies of the District substantially comply with the rules prescribed in the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide ("Resource Guide"). These accounting policies generally conform to generally accepted accounting principles applicable to governmental units.

(a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Discussion Draft

(1) Summary of Significant Accounting Policies (continued)

(b) Measurement focus, basis of accounting and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All property tax receivables are reported net of an allowance for uncollectible amounts. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The capital projects fund accounts for construction projects funded by general obligation bond issues.

Discussion Draft

(1) Summary of Significant Accounting Policies (continued)

(b) Measurement focus, basis of accounting and financial statement presentation (continued)

The District reports the following proprietary funds:

The District utilizes an enterprise fund to account for its after-school care program.

The District utilizes an internal service fund to account for its self-insured workers' compensation insurance services provided to other funds on a cost reimbursement basis.

Additionally, the District reports the following fiduciary funds:

The private purpose trust fund accounts for resources legally held in trust for scholarships to be awarded to current and former students for post-secondary education. All resources of the fund, including any earnings on invested resources, may be used to support the activities listed in the preceding sentence.

The District accounts for resources held for others in a custodial capacity in a custodial fund. The District's custodial fund consists of the student activity funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

(c) Deposits and investments

For purposes of the statement of cash flows, the District's proprietary fund type considers all highly liquid investments with original maturities less than 90 days to be cash equivalents.

State statutes authorize the District to invest in obligations of the United States or its agencies and instrumentalities and state or local governments, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The District's local investment policy limits the District to invest in obligations of the United States or its agencies and instrumentalities, fully collateralized repurchase agreements by obligations of the United States or its agencies and instrumentalities, money market mutual funds, and local government investment pools.

Investments are reported at fair value, except for governmental investment pools. The governmental investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost.

Discussion Draft

(1) Summary of Significant Accounting Policies (continued)

(d) Interfund receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(e) Capital assets

Capital assets, which include land, construction in process, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Buildings and improvements, vehicles, and furniture and equipment are depreciated using the straight-line method over their estimated useful lives:

	Years
Buildings and improvements	10 – 40
Vehicles	5 – 10
Furniture and equipment	5 – 10

Discussion Draft

(1) Summary of Significant Accounting Policies (continued)

(f) Compensated absences

The State of Texas entitles teachers and other eligible employees to five days of state personal leave per year that may be used for illness or discretionary purposes. State personal leave may be accumulated without limit and is transferable among Texas school districts and education service centers; however, employees are not paid for unused balances upon termination or retirement.

The District also provides teachers and other eligible employees with five days of local leave per year, with a maximum accumulation of 30 days. Local leave is subject to the same terms and conditions as state personal leave, and is not paid upon termination or retirement if unused.

In the government-wide financial statements, the District has recognized a liability for unused state and local leave earned as of the end of the fiscal year. The liability represents the portion of accumulated leave that is expected to be used or paid in future periods.

Other eligible employees in positions requiring twelve months of service are entitled to ten vacation days per year. Vacation days must be used within the fiscal year and do not carry forward; therefore, no liability has been accrued for unused vacation.

(g) Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

Discussion Draft

(1) Summary of Significant Accounting Policies (continued)

(h) Pensions

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

(i) Other Post-Employment Benefits ("OPEB")

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

(j) Deferred outflows and deferred inflows of resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Discussion Draft

(1) Summary of Significant Accounting Policies (continued)

(k) Fund balances and net position

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Board of School Trustees (the "Board") through an ordinance. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by District management based upon Board direction. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

In the government-wide, proprietary fund, and fiduciary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

(l) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requirements management of the District to make estimates and assumptions that affect the reported amount s of assets , deferred outflows, liabilities, and deferred inflows and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the net pension liability and related deferred inflows and deferred outflows. Actual results could differ from those estimates.

Discussion Draft

(1) Summary of Significant Accounting Policies (continued)

(m) Data control codes

Data control codes refer to the account code structure prescribed by the TEA in the Resource Guide.

(2) Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $474,120,075 difference are as follows:

Bonds payable	$ (431,115,104)
Premiums	(21,993,161)
Deferred charge on refunding	1,078,902
Accumulated accretion	(482,510)
Capital financing	(550,551)
Accrued compensated absences	(504,916)
Accrued interest payable	(6,698,933)
Net pension and OPEB liabilities, and related deferred inflows of $8,146,775 and deferred outflows of $12,519,849	(13,853,802)
	$ (474,120,075)

The governmental statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances of total governmental funds and changes in net position of governmental activities as reported in the government-wide financial statements. An element of that reconciliation states that "the issuance of long-term debt" (e.g., bonds and note payable to bank) provides current financial resources to the 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized

Discussion Draft

(2) Reconciliation of Government-Wide and Fund Financial Statements (continued)

in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The details of this $54,025,757 difference are as follows:

Issuance of general obligation bonds	$ (55,000,000)
Premiums on issuance of general obligation bonds	(3,182,276)
Issuance of capital financing lease	(758,157)
Principal repayments:	
General obligation and refunding bonds	4,469,705
Capital financing lease	207,606
Amortization of premiums received on issuance of bonds	1,131,454
Amortization of deferred charge on refunding of bonds	(71,927)
Accretion of interest on capital appreciation bonds	149,262
Accrued interest payable	(971,424)
	$ (54,025,757)

(3) Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for certain special revenue funds and capital project funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end. The budget is legally adopted through passage of an appropriate ordinance by the Board of School Trustees.

The appropriated budget is prepared by fund, function, object code, program intent code, and location. The District's management may make transfers of appropriations within a function. Transfers or appropriations between functions require the approval of the Board of Trustees. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the function level.

Discussion Draft

(3) Budgetary Information (continued)

The original and final amended budgets for total expenditures did not change significantly during the year. Differences between the original and final budgets primarily resulted from reallocations among functional expenditure categories and did not materially affect total budgeted expenditures.

Expenditures exceeded appropriations as follows:

Fund / Function		Amount
General fund:		
0011	Instruction	$ 1,116,552
0012	Instructional resources and media services	11,713
0013	Curriculum development and instructional staff development	74,376
0023	School leadership	259,641
0031	Guidance, counseling and evaluation services	44,759
0034	Student transportation	24,751
0051	Facilities maintenance and operations	344,571
0052	Security and monitoring services	31,468
0053	Data processing services	133,263
0071	Principal on long-term debt	207,606
0099	Payments to county appraisal district	236,565

These over-expenditures were funded by revenues in excess of budgeted amounts and resulted from expenditures incurred for salaries and benefits, educational materials, professional services, and other supplies needed as a result of increased enrollment that were not budgeted.

Encumbrance accounting is employed in the governmental funds. Encumbrances (i.e. purchase orders, contracts) outstanding at year-end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no significant encumbrances outstanding at June 30, 2026.

Discussion Draft

(4) Deposits and Investments

Investments of the District at June 30, 2026, consist of the following

Investments	Amortized Cost	Weighted Average Maturity (in Days)
Public funds investment pools:		
Lone Star Investment Pool - Corporate Overnight Plus Fund	$ 75,869,065	62
Lone Star Investment Pool - Government Overnight Fund	3,355,748	45
	$ 79,224,813	

The public funds investment pools have been created pursuant to the Interlocal Corporation Act of the State of Texas. The District has delegated the authority to hold legal title to Lone Star, as custodian, to make investment purchases with the District's funds.

Lone Star. Lone Star Investment Pool ("Lone Star") was organized under the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code by the Texas Association of School Boards ("TASB") through its wholly owned subsidiary, First Public, LLC ("the Administrator"). The governing body is an eleven-member board of directors comprised of participating governmental entities. Additionally, TASB has established an eight-member advisory board composed of both participants in Lone Star and other persons who do not have a business relationship with Lone Star. There are no maximum transaction amounts and withdrawals from Lone Star may be made daily. Lone Star uses amortized cost rather than fair value to report net asset share price.

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the maturity of its investment portfolio. The term of any collateralized mortgage obligation is limited to ten years, repurchase agreements may not exceed 90 days, banker's acceptances must have a stated maturity of 270 days or less, commercial paper must have a stated maturity of 365 days or less, and no-load mutual funds must have an average weighted average maturity of less than two years. The maximum allowable stated maturity of any other individual investment owned by the District cannot exceed one year.

Discussion Draft

(4) Deposits and Investments (continued)

Credit Risk

It is the District's policy to limit its investments in a manner that ensures the preservation of capital in the overall portfolio. Specifically, repurchase agreements must be secured by obligations of the United States or its agencies, commercial paper must be rated not less than A-1 or P-1, no-load mutual funds must be rated not less than AAA or its equivalent, and public funds investment pools must be continuously rated no lower than AAA or AAAm or at an equivalent rating. At June 30, 2026, Lone Star is rated AAAm by Standard & Poor's.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a depository contract with a financial institution and monitors its deposits to ensure its bank deposits are insured or fully collateralized with securities held by the pledging financial institution's agent in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of the highest combined deposit during 2026:

(a) Depository: Eagle State Bank

(b) The market value of securities pledged as of the date of the highest combined balance on deposit was $12,291,245.

(c) The highest combined balance of cash, savings, and time deposit accounts amounted to $6,947,074 and occurred during the month of October 2025.

(d) Total amount of FDIC coverage at the time of largest combined balance was $250,000.

(5) Property Taxes

Property taxes are levied by October 1 on the assessed value as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code.

Discussion Draft

(5) Property Taxes (continued)

The assessed value at January 1, 2025, on which the 2025 levy was based, was $3,305,911,818. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District's maximum legal maintenance and operations tax rate is $0.6669 per $100 valuation; the current maintenance and operations tax rate is $0.6669 per $100 valuation.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes 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. The allowance for uncollectible amounts was $168,332 at June 30, 2026.

(6) Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State of Texas through the school foundation and per capita programs. Amounts due from federal and state governments as of June 30, 2026 are summarized below:

Fund	State Aid	Federal/State Programs	Other	Total
General	$ 6,323,976	13,759	474,156	6,811,891
Debt service	378,981	-	-	378,981
Other governmental	-	531,277	-	531,277
Totals	$ 6,702,957	545,036	474,156	7,722,149

Discussion Draft

(7) Interfund Balances and Transfers

Interfund balances resulted from the time lag between the dates that payments between funds are made. Interfund receivable and payable balances at June 30, 2026 are as follows:

Fund	Receivable	Payable
General	$ 477,073	78,353
Other governmental funds	-	467,463
Enterprise fund	37	-
Internal service	68,706	-
	$ 545,816	545,816

In the year ended June 30, 2026, the general fund made an operating transfer to the enterprise fund for $37 to cover the current year operating deficit.

(8) Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2026 was as follows:

	Balance July 1, 2025	Increases	Decreases	Balance June 30, 2026
Capital assets not being depreciated:				
Land	$ 6,818,440	-	-	6,818,440
Construction in progress	192,435,938	70,667,209	(141,714,017)	121,389,130
Total capital assets not being depreciated	199,254,378	70,667,209	(141,714,017)	128,207,570
Capital assets being depreciated:				
Buildings and improvements	199,051,306	134,754,384	-	333,805,690
Furniture and equipment	11,797,536	9,629,018	(17,945)	21,408,609
Total capital assets being depreciated	210,848,842	144,383,402	(17,945)	355,214,299
Less accumulated depreciation for:				
Buildings and improvements	$ (48,700,168)	(8,875,861)	-	(57,576,029)
Furniture and equipment	(4,695,587)	(1,646,390)	17,945	(6,324,032)
Total accumulated depreciation	(53,395,755)	(10,522,251)	17,945	(63,900,061)
Total capital assets being depreciated, net	157,453,087	133,861,151	-	291,314,238
	$ 356,707,465	204,528,360	(141,714,017)	419,521,808

Discussion Draft

(8) Capital Assets (continued)

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instruction	$ 5,882,583
Instructional resources and media services	270,510
Instructional leadership	87,937
School leadership	609,694
Guidance, couseling, and evalution services	194,298
Health services	123,111
Student transportation	774,590
Food services	335,925
Extracurricular activities	292,206
General administration	634,566
Facilities maintenance and operations	936,781
Security and monitoring services	197,477
Data processing	182,573
Total depreciation expense	$ 10,522,251

Construction commitments at June 30, 2026 consisted of the following:

Project	Spent to Date	Remaining Commitments
High School Addition - Phase 2	$ 58,060,467	26,000,000
New Elementary School #4	50,149,272	500,000
Paw Prints - After School Program Center	6,988,588	8,300,000
Administration Building Annex	4,352,089	500,000
New Elementary School #5	1,838,714	600,000
	$ 121,389,130	35,900,000

The construction commitments will be financed with existing bond proceeds and issuance of bonds in the amount of $67 million that was authorized by the board of school trustees in 2023 but have not yet been issued.

Discussion Draft

(9) Long-Term Debt

Long-term debt consists of bonded indebtedness, capital financing lease, compensated absences, a net pension liability, and a total OPEB liability. The District issues general obligation bonds and capital financing leases to provide funds for the acquisition and construction of major capital facilities. Compensated absences represent the value of earned but unused state and local leave expected to be used or paid in future periods.

The following is a summary of changes in long-term debt for the year ended June 30, 2026:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026	Due Within One Year
General obligation and refunding bonds	$ 380,584,809	55,000,000	4,469,705	431,115,104	6,305,000
Premiums	19,942,339	3,182,276	1,131,454	21,993,161	-
Total bonds payable	400,527,148	58,182,276	5,601,159	453,108,265	6,305,000
Capital financing lease	-	758,157	207,606	550,551	172,207
Accumulated accretion on capital appreciation bonds	631,772	-	149,262	482,510	-
Compensated absences	422,481	82,435	-	504,916	-
Net pension liability	11,092,051	69,295	-	11,161,346	-
Total OPEB liability	8,527,220	-	1,461,690	7,065,530	-
	$ 421,200,672	59,092,163	7,419,717	472,873,118	6,477,207

The bond indentures contain certain restrictions for the maintenance of and flow of monies through various restricted accounts. The District is in compliance with all such significant financial limitations and restrictions.

Discussion Draft

(9) Long-Term Debt (continued)

General obligation and refunding bonds at June 30, 2026 consist of the following individual issues:

$8,990,000 Unlimited tax combination school building and refunding bonds, series 2014 due in annual installments of $265,000 to $300,000 through August 2026, interest at 2% to 4%	$ 300,000
$9,134,921 Unlimited tax combination school building and refunding bonds, series 2015 due in annual installments of $108,838 to $725,000 through August 2038, interest at 3% to 4.5%	7,555,000
$6,145,000 Unlimited tax combination school building and refunding bonds, series 2016 due in annual installments of $65,000 to $775,000 through August 2036, interest at 3% to 3.5%	3,480,000
$9,125,000 Unlimited tax combination school building bonds, series 2017 due in annual installments of $200,000 to $665,000 through August 2042, interest at 3% to 3.5%	5,520,000
$10,000,000 Unlimited tax combination school building bonds, series 2018 due in annual installments of $250,000 to $550,000 through February 2043, interest at 3% to 5%	7,585,000
$24,890,000 Unlimited tax combination school building bonds, series 2018A due in annual installments of $315,000 to $1,590,000 through February 2043, interest at 3% to 5%	20,275,000
$9,480,000 Unlimited tax combination school building bonds, series 2019 due in annual installments of $155,000 to $590,000 through February 2044, interest at 3% to 5%	7,835,000
$20,124,987 Unlimited tax refunding bonds, taxable series 2021 due in annual installments of $155,000 to $2,385,000 through August 2040, interest at 1.35% to 5%	19,290,104
$6,420,000 Unlimited tax refunding bonds, series 2021 due in annual installments of $425,000 to $760,000 through August 2032, interest at 3% to 5%	4,550,000
$60,560,000 Unlimited tax school building bonds, series 2021 due in annual installments of $1,230,000 to $9,795,000 through August 2046, interest at 3% to 4%	60,560,000

Discussion Draft

(9) Long-Term Debt (continued)

$42,610,000 Unlimited tax school building bonds, series 2022 due in annual installments of $490,000 to $14,645,000 through August 2047, interest at 4.25% to 5%	$ 42,120,000
$99,770,000 Unlimited tax school building bonds, series 2023 due in annual installments of $330,000 to $17,570,000 through August 2053, interest at 4.25% to 5%	97,045,000
$100,000,000 Unlimited tax school building bonds, series 2024 due in annual installments of $1,230,000 to $23,730,000 through February 2054, interest at 4% to 5%	100,000,000
$55,000,000 Unlimited tax school building bonds, series 2025 due in annual installments of $190,000 to $26,660,000 through February 2055, interest at 4.375% to 5.25%	55,000,000
	$ 431,115,104

Annual debt service payment requirements to maturity for general obligation and refunding bonds are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2027	6,305,000	18,190,318	24,495,318
2028	6,203,544	18,578,823	24,782,367
2029	6,556,560	18,283,344	24,839,904
2030	7,505,000	17,345,600	24,850,600
2031	7,840,000	17,044,088	24,884,088
2032-2036	46,665,000	80,324,679	126,989,679
2037-2041	62,935,000	70,090,555	133,025,555
2042-2046	82,850,000	55,685,366	138,535,366
2047-2051	103,930,000	36,339,587	140,269,587
2052-2055	100,325,000	11,933,274	112,258,274
Totals	$ 431,115,104	343,815,634	774,930,738

Discussion Draft

(9) Long-Term Debt (continued)

Capital Financing Leases

During the current year, the District entered into a capital financing arrangement for chromebooks, workstations, and other related computer equipment that transfers ownership to the District at the end of the lease term. The agreement has an implicit interest rate of 6.43% and a four-year lease term, with payments due annually. As of June 30, 2026, the principal and interest requirements to maturity for the capital financing lease are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2027	172,207	35,399	207,606
2028	183,280	24,326	207,606
2029	195,064	12,542	207,606
Totals	$ 550,551	72,267	622,818

(10) Revenues from Local and Intermediate Sources

During the year ended June 30, 2026, revenues from local and intermediate sources reported in the governmental fund financial statements consisted of the following:

	General	Debt Service	Capital Projects	Other Govern-mental	Totals
Property taxes	$ 21,558,799	16,103,920	-	-	37,662,719
Penalties, interest and other tax-related income	81,188	59,523	-	-	140,711
Tuition and fees	1,235	-	-	-	1,235
Food sales	-	-	-	602,799	602,799
Investment income	525,648	851,822	2,128,833	32,981	3,539,284
Contributions and donations	-	-	25,000	-	25,000
Extracurricular activities	73,058	-	-	532,021	605,079
Other	216,133	-	-	-	216,133
	$ 22,456,061	17,015,265	2,153,833	1,167,801	42,792,960

Discussion Draft

(11) Risk Management

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

(12) Deferred Outflows and Inflows of Resources

The statement of financial position and the balance sheet include the following deferred outflows / inflows of resources at June 30, 2026:

	Statement of Net Position	Balance Sheet	
	Governmental Activities	General Fund	Debt Service Fund
Deferred outflows of resources:			
Deferred charge on refunding	$ 1,078,902	-	-
Pension / OPEB related:			
District contributions subsequent to the measurement date	1,498,006	-	-
Differences between expected and actual experience	2,051,944	-	-
Changes in assumptions	1,944,111	-	-
Changes in proportion	7,025,788	-	-
	$ 13,598,751	-	-
Deferred inflows of resources:			
Unavailable property taxes	$ -	905,779	609,206
Pension / OPEB related:			
Differences between expected and actual experience	4,247,035	-	-
Changes in assumptions	2,902,002	-	-
Net differences between projected and actual earnings	550,686	-	-
Changes in proportion	447,052	-	-
	$ 8,146,775	905,779	609,206

Discussion Draft

(13) Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position. Detail information about TRS'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 https://www.trs.texas.gov/learning-resources/publications; by writing to TRS at attention Finance Division, PO Box 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

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 credited service or earlier than 55 with 30 years of credited service. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost-of-living adjustments ("COLAs"). Ad-hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Discussion Draft

(13) Defined Benefit Pension Plan (continued)

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in state statute, Texas Government Code 825.402.

	Contributions Rates Plan Fiscal Year 2026	2025
Member (employees)	8.25%	8.25%
Non-employer contributing entity (State)	8.25%	8.25%
Employer (the District)	8.25%	8.25%

	Contributions Required and Made
Member (Employees)	$ 2,858,617
Non-employer contributing agency (State)	2,391,649
District	1,204,427

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

Discussion Draft

(13) Defined Benefit Pension Plan (continued)

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

Employers (public school, junior college, other entities or the State of Texas as the employer for senior colleges, universities, and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any 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 2.0% of the member's salary beginning in fiscal year 2025.
- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Discussion Draft

(13) Defined Benefit Pension Plan (continued)

Actuarial Assumptions. The total pension liability in the August 31, 2024 actuarial valuation rolled forward to August 31, 2025 was determined using the following actuarial assumptions:

Valuation date	August 31, 2024 rolled forward to August 31, 2025
Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.00%
Long-term expected investment rate of return	7.00%
Municipal bond rate as of August 31, 2024	5.23% *
Inflation	2.30%
Salary increases, including inflation	3.20% to 9.20% including inflation
Ad hoc post-employment benefit changes	None

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

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 if 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.

Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.54% of payroll in fiscal year 2026 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.

Discussion Draft

(13) Defined Benefit Pension Plan (continued)

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-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2025 are summarized below:

Asset Class	Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
All Country	39.0%	4.14%	2.18%
USA	0.0%	3.85%	0.00%
Non-US Developed	5.0%	4.60%	0.31%
Emerging Markets	1.0%	4.71%	0.07%
Private Equity	12.0%	6.80%	1.19%
Stable Value:			
Government Bonds	10.0%	2.59%	0.33%
Government Bonds - Real	6.0%	1.97%	0.13%
Stable Value Hedge Funds	5.0%	1.68%	0.09%
Absolute Return *	0.0%	3.91%	0.00%
Real Return:			
Real Estate	15.0%	4.60%	0.86%
Energy, Natural Resources and Infrastructure	6.0%	4.86%	0.36%
Commodities	0.0%	2.96%	0.00%
Risk Parity	5.0%	4.38%	0.26%
Asset Allocation Leverage:			
Cash	2.0%	0.51%	0.01%
Asset Allocation Leverage	-6.0%	0.81%	-0.05%
Inflation Expectation			2.30%
Volatility Drag ****			-0.71%
Expected Return	100%		7.33%

* Absolute Return includes Credit Sensitive Investments

** Target allocations are based on the FY2025 policy model.

*** Capital Market Assumptions (CMA) come from Meketa Investment Group's 2025 CMAs

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

Discussion Draft

(13) Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact on the net pension liability if the discount rate used was 1% point lower and 1% point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	$ 17,988,042	11,161,346	5,479,662

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 $11,161,346 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for the State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 11,161,346
State's proportionate share of the net pension liability associated with the District	22,090,029
Total	$ 33,251,375

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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2024 through August 31, 2025.

At August 31, 2025, the District's proportion of the collective net pension liability was 0.00017731, which was a decrease of 0.00000428 from its proportion measured as of August 31, 2024.

Discussion Draft

(13) Defined Benefit Pension Plan (continued)

Changes in Assumptions Since the Prior Actuarial Valuation. The 2025 Texas Legislature passed HB2, which modified the future compensation structure for active employees covered by the TRS. As a result, a new salary increase assumption was adopted for determining the net pension liability as of the August 31, 2025 measurement date. All other actuarial assumptions and methods remain the same as used in the determination of the prior year's net pension liability. There have been no changes to the benefit provisions since the prior valuation.

For the year ended June 30, 2026, the District recognized total pension expense of $3,920,454. Of the total pension expense, for the measurement period ended August 31, 2025, the District recognized pension expense of $2,050,764 and revenue of $2,052,505 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 1,204,427	-
Differences between expected and actual experience	669,650	39,108
Changes in actuarial assumptions	1,070,398	-
Net difference between projected and actual investment earnings	-	507,232
Changes in proportion	1,442,331	447,052
Total	$ 4,386,806	993,392

The District recognized $1,204,427 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2027.

Discussion Draft

(13) Defined Benefit Pension Plan (continued)

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended August 31,	
2026	$ 1,755,612
2027	553,250
2028	(181,483)
2029	(38,342)
2030	99,950

(14) Defined Other Post-Employment Benefit Plans

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

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

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

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

Discussion Draft

(14) Defined Other Post-Employment Benefit Plans (continued)

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 88th Legislature amended the Texas Insurance Code Chapter 1575 via Senate Bill 1854 allowing TRS to offer coverage for dental and vision care to retirees. In accordance with Chapter 1575.1601, TRS established the TRS-Care Dental and TRS-Care Vision plans. TRS-Care Dental and TRS-Care Vision are optional plans that are available to retirees who are eligible for TRS-Care. This includes their dependents, surviving spouses, and surviving dependent children. Retirees do not have to be enrolled in TRS-Care medical and pharmacy plans to be eligible for TRS-Care Dental and TRS-Care Vision. The first enrollment period for the plans began in October 2024 and coverage started in January 2025.

The General Appropriations Act passed by the 88th Legislature included funding to maintain TRS-Care premiums at their current level through 2025. Also, the 86th Legislature passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at $381,400,000 as of August 31, 2025.

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

TRS-Care Monthly Premium Rates

	Medicare	Non-Medicare	TRS-Care Dental	TRS- Care Vision
Retiree or Surviving Spouse	$ 75	200	42	7
Retiree and Spouse	280	689	83	14
Retiree or Surviving Spouse and Children	408	408	87	16
Retiree and Family	613	999	130	24

Discussion Draft

(14) Defined Other Post-Employment Benefit Plans (continued)

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and these is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and 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 salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the District. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2025.

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

	Contributions Rates Plan Fiscal Year 2026	2025
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%

	Contributions Required and Made
Member (Employees)	$ 225,224
Non-employer contributing agency (State)	433,124
District	293,579

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 hiring a TRS retiree, employers are required to pay to TRS-Care a monthly surcharge of $535 per retiree.

Discussion Draft

(14) Defined Other Post-Employment Benefit Plans (continued)

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2024. Update procedures were used to roll forward the total OPEB liability to August 31, 2025. The actuarial valuation was determined using the following actuarial assumptions:

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the TRS. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2024 TRS pension actuarial valuation that was rolled to August 31, 2025: rates of mortality, retirement, termination and disability; general inflation, and wage inflation.

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

***Additional Actuarial Methods and Assumptions*:**

Valuation date	August 31, 2024 rolled forward to August 31, 2025
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	5.23% as of August 31, 2025
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death"
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected salary increases	3.20% to 9.20%, including inflation
Healthcare trend rates	4.25% to 9.00%
Election rates	Normal retirement: 62% participation prior to age 65 and 25% participation after age 65 Pre-65 retirees: 30% are assumed to discontinue coverage at age 65
Ad hoc post-employment benefit changes	None

Discussion Draft

(14) Defined Other Post-Employment Benefit Plans (continued)

Discount Rate. A single discount rate of 5.23% was used to measure the total OPEB liability. There was an increase of 1.36% in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the single discount rate is equal to the prevailing municipal bond rate.

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% point lower than and 1 % point higher than the discount rate that was used (5.23%) in measuring the total OPEB liability.

	1% Decrease (4.23%)	Current Single Discount Rate (5.23%)	1% Increase (6.23%)
District's proportionate share of the total OPEB liability	$ 8,297,714	7,065,530	6,050,115

Healthcare Trend Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease	Current Single Healthcare Trend Rate	1% Increase
District's proportionate share of the total OPEB liability	$ 5,842,201	7,065,530	8,618,798

Discussion Draft

(14) Defined Other Post-Employment Benefit Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2026, the District reported a liability of $7,065,530 for its proportionate share of the TRS's total 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 total OPEB liability, the related state support, and the total portion of the total OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective total OPEB liability	$ 7,065,530
State's proportionate share of the total OPEB liability that is associated with the District	9,373,988
Total	$ 16,439,518

The total OPEB liability was measured as of August 31, 2024 and rolled forward to August 31, 2025 and the total OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the total 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 through August 31, 2025.

On August 31, 2025, the employer's proportion of the collective total OPEB liability was 0.00028345 which was an increase of 0.00000250 from its proportion measured as of August 31, 2024.

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

- The single discount rate changed from 3.87% as of August 31, 2024 to 5.23% 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.

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

Discussion Draft

(14) Defined Other Post-Employment Benefit Plans (continued)

For the year ended June 30, 2026, the District recognized a total OPEB benefit of $731,421. Of the total OPEB benefit, for the measurement period ended August 31, 2025, the District recognized an OPEB benefit of $1,083,088 and revenue of $347,260 for 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 OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 293,579	-
Differences between expected and actual experience	1,382,294	4,207,927
Changes in assumptions	873,713	2,902,002
Net difference between projected and actual investment earnings	-	43,454
Changes in proportion	5,583,457	-
Total	$ 8,133,043	7,153,383

The $293,579 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ended August 31,	
2026	$ 50,740
2027	(90,307)
2028	(24,692)
2029	159,191
2030	148,511
Thereafter	442,638

Discussion Draft

(15) Retiree Medicare Part D Coverage

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. Federal contributions to TRS made on behalf of the employees for the years ended June 30, 2026, 2025 and 2024, were $320,851; $218,896; and $159,919; respectively.

(16) Contingencies

The District participates in a number of federal award programs. Although the programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2026, these programs are still subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

(17) Subsequent Events

The District has evaluated subsequent events through _____, 2026, the date the financial statements were available to be issued, and determined that there are no events to disclose.

Discussion Draft

Required Supplementary Information

Discussion Draft

Exhibit G-1

Jarrell Independent School District

Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – General Fund

Year Ended June 30, 2026

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Variance with Original Budget - over (under) Final Budget	Actual Amounts, GAAP Basis	Variance with Final Budget - over (under) Actual
	Revenues:					
5700	Local and intermediate sources	$ 21,780,000	21,780,150	150	22,456,061	675,911
5800	State program revenues	27,572,368	27,572,368	-	29,026,283	1,453,915
5900	Federal program revenues	-	-	-	387,725	387,725
5020	Total revenues	49,352,368	49,352,518	150	51,870,069	2,517,551
	Expenditures:					
	Current:					
11	Instruction	27,322,368	28,574,386	1,252,018	29,690,938	1,116,552
12	Instructional resources and media services	484,738	476,738	(8,000)	488,451	11,713
13	Curriculum development and instructional staff development	1,940,749	1,338,972	(601,777)	1,413,348	74,376
21	Instructional leadership	175,320	175,320	-	113,862	(61,458)
23	School leadership	2,923,921	2,931,830	7,909	3,191,471	259,641
31	Guidance, counseling and evaluation services	1,841,189	1,841,189	-	1,885,948	44,759
33	Health services	627,692	427,692	(200,000)	374,926	(52,766)
34	Student transportation	2,175,982	2,934,351	758,369	2,959,102	24,751
36	Extracurricular activities	1,369,854	1,369,854	-	1,274,842	(95,012)
41	General administration	2,276,705	1,977,162	(299,543)	1,767,743	(209,419)
51	Facilities maintenance and operations	5,333,622	5,129,331	(204,291)	5,473,902	344,571
52	Security and monitoring services	960,025	955,947	(4,078)	987,415	31,468
53	Data processing services	1,269,132	1,074,132	(195,000)	1,207,395	133,263
93	Payments to JJAEP	390,614	145,614	(245,000)	141,721	(3,893)
99	Payments to county appraisal district	260,457	-	(260,457)	236,565	236,565
	Debt service:					
71	Principal on long-term debt	-	-	-	207,606	207,606
6000	Total expenditures	49,352,368	49,352,518	150	51,415,235	2,062,717
1100	Excess of revenues over expenditures	-	-	-	454,834	454,834
	Other financing sources (uses):					
7914	Issuance of capital financing lease	-	-	-	758,157	758,157
7915	Transfers in	-	-	-	8,547	8,547
8911	Transfers out	-	-	-	(37)	(37)
	Total other financing sources (uses)	-	-	-	766,667	766,667
	Net change in fund balance	-	-	-	1,221,501	1,221,501
0100	Fund balance, at beginning of year	8,840,214	8,840,214	-	8,840,214	-
3000	Fund balance, at end of year	$ 8,840,214	8,840,214	-	10,061,715	1,221,501

Discussion Draft

See accompanying independent auditor's report.

Jarrell Independent School District

Note to Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund

Year Ended June 30, 2026

Discussion Draft

(1) Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for certain special revenue funds and capital project funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end. The budget is legally adopted through passage of an appropriate ordinance by the Board of School Trustees. The appropriated budget is prepared by fund, function, object code, program intent code, and location. The District's management may make transfers of appropriations within a function. Transfers or appropriations between functions require the approval of the Board of Trustees. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the function level.

The original and final amended budgets for total expenditures did not change significantly during the year. Differences between the original and final budgets primarily resulted from reallocations among functional expenditure categories and did not materially affect total budgeted expenditures. Expenditures exceeded appropriations as follows:

Fund / Function		Amount
General fund:		
0011	Instruction	$ 1,116,552
0012	Instructional resources and media services	11,713
0013	Curriculum development and instructional staff development	74,376
0023	School leadership	259,641
0031	Guidance, counseling and evaluation services	44,759
0034	Student transportation	24,751
0051	Facilities maintenance and operations	344,571
0052	Security and monitoring services	31,468
0053	Data processing services	133,263
0071	Principal on long-term debt	207,606
0099	Payments to county appraisal district	236,565

These over-expenditures were funded by revenues in excess of budgeted amounts and resulted from expenditures incurred for salaries and benefits, educational materials, professional services, and other supplies needed as a result of increased enrollment that were not budgeted. Additionally, the District entered into a capital financing lease for chromebooks and other computer upgrades amounting to $0.8 million that was not budgeted.

Jarrell Independent School District

Schedule of the District's Proportionate
Share of the Net Pension Liability
Teacher Retirement System of Texas

Last Ten Measurement Years

	2025	2024	2023	2022
District's proportion of the net pension liability	0.000177311	0.000181586	0.000189114	0.000152800
District's proportion share of the net pension liability	$ 11,161,346	11,092,051	12,990,313	9,071,341
State's proportionate share of the net pension liability associated with the District	22,090,029	20,378,467	18,294,418	13,134,305
Total	$ 33,251,375	31,470,518	31,284,731	22,205,646
District's covered payroll (for measurement year)	$ 30,217,517	28,494,604	23,665,246	18,059,413
District's proportionate share of the net pension liability as a percentage of its covered payroll	36.94%	38.93%	54.89%	50.23%
Plan's fiduciary net position as a percentage of the total pension liability	78.24%	77.51%	73.15%	75.62%

Discussion Draft

See accompanying independent auditor's report.

2021	2020	2019	2018	2017	2016
0.000111715	0.000099837	0.000093894	0.000079845	0.000080125	0.000078539
2,844,978	5,347,090	4,880,899	4,394,869	2,561,956	2,967,869
5,219,517	10,343,217	8,321,067	7,951,889	4,905,550	5,745,988
8,064,495	15,690,307	13,201,966	12,346,758	7,467,506	8,713,857
14,747,818	13,347,257	11,055,123	9,566,958	9,375,149	8,848,746
19.29%	40.06%	44.15%	45.94%	27.33%	33.54%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%

Discussion Draft

Jarrell Independent School District

Schedule of the District's Contributions to the
Teacher Retirement System of Texas

Last Ten Fiscal Years

	2026	2025	2024	2023
Contractually required contributions	$ 1,204,427	1,016,846	1,017,039	958,227
Contributions in relation to the contractually required contributions	1,204,427	1,016,846	1,017,039	958,227
Contribution deficiency (excess)	$ -	-	-	-
District's covered payroll	$ 34,649,906	30,217,517	28,494,604	23,665,246
Contractually required contributions as a percentage of the District's covered payroll	3.48%	3.37%	3.57%	4.05%

Discussion Draft

See accompanying independent auditor's report.

2022	2021	2020	2019	2018	2017
673,651	477,560	396,674	320,523	267,221	262,602
673,651	477,560	396,674	320,523	267,221	262,602
-	-	-	-	-	-
18,059,413	14,747,818	13,347,257	11,055,123	9,566,958	9,375,149
3.73%	3.24%	2.97%	2.90%	2.79%	2.80%

Discussion Draft

Jarrell Independent School District

Schedule of the District's Proportionate
Share of the Total OPEB Liability
TRS-Care

Last Ten Measurement Years

	2025	2024	2023
District's proportion of the total OPEB liability	0.000283446	0.000280949	0.000248410
District's proportion share of the total OPEB liability	$ 7,065,530	8,527,220	5,499,366
State's proportionate share of the total OPEB liability associated with the District	9,373,988	10,684,491	6,635,831
Total	$ 16,439,518	19,211,711	12,135,197
District's covered payroll (for measurement year)	$ 30,217,517	28,494,604	23,665,246
District's proportionate share of the total OPEB liability as a percentage of its covered payroll	23.38%	29.93%	23.24%
Plan's fiduciary net position as a percentage of the total OPEB liability	18.26%	13.70%	14.94%

Note: The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* effective July 1, 2017. Information for years prior to 2017 is not available.

Discussion Draft

See accompanying independent auditor's report.

2022	2021	2020	2019	2018	2017
0.000206907	0.000163148	0.000149636	0.000124402	0.000108170	0.000105107
4,954,177	6,293,365	5,688,349	5,883,126	5,401,039	$ 4,570,688
6,043,318	8,431,707	7,643,778	7,817,356	8,420,071	7,649,834
10,997,495	14,725,072	13,332,127	13,700,482	13,821,110	$ 12,220,522
18,059,413	14,747,818	13,347,257	11,055,123	9,566,958	$ 9,369,148
27.43%	42.67%	42.62%	53.22%	56.46%	48.78%
11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

Discussion Draft

Jarrell Independent School District

Schedule of the District's Contributions to
TRS-Care

Last Ten Fiscal Years

	2026	2025	2024
Contractually required contributions	$ 293,579	251,241	238,320
Contributions in relation to the contractually required contributions	293,579	251,241	238,320
Contribution deficiency (excess)	$ -	-	-
District's covered payroll	$ 34,649,906	30,217,517	28,494,604
Contractually required contributions as a percentage of the District's covered payroll	0.85%	0.83%	0.84%

Note: The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* effective July 1, 2017. Information for years prior to 2018 is not available.

Discussion Draft

See accompanying independent auditor's report.

2023	2022	2021	2020	2019	2018
193,539	148,821	116,879	104,652	82,913	71,752
193,539	148,821	116,879	104,652	82,913	71,752
-	-	-	-	-	-
23,665,246	18,059,413	14,747,818	13,347,257	11,055,123	9,566,958
0.82%	0.82%	0.79%	0.78%	0.75%	0.75%

Discussion Draft

Other Supplementary Schedules

Discussion Draft

Exhibit H-1

Jarrell Independent School District

Combining Schedule
Balance Sheet – Other Governmental Funds

June 30, 2026

Data Control Codes		208 ECSE Student Outcomes	211 ESEA Title I, Part A	224 IDEA-B Formula	225 IDEA-B Preschool	240 Child Nutrition Program	244 Effective Advising Implementation	255 ESEA Title II, Part A	263 ESEA Title III, Part A	289 Other Federal Grants	397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 Other State	461 Campus Activity	Total Other Governmental Funds
	Assets														
1110	Cash and cash equivalents	$ -	21,821	9,157	-	1,795,986	-	-	7,483	13,779	3,592	108,007	-	390,493	2,350,318
1240	Due from other governments	-	197,660	45,504	-	-	11,350	154	9,650	-	-	-	266,959	-	531,277
1000	Total assets	$ -	219,481	54,661	-	1,795,986	11,350	154	17,133	13,779	3,592	108,007	266,959	390,493	2,881,595
	Liabilities and Fund Balances														
2110	Accounts payable	$ -	-	14,462	-	8,454	7,000	-	6,000	-	-	-	-	6,113	42,029
2160	Accrued wages payable	-	19,626	35,157	-	-	-	-	9,177	-	-	-	-	-	63,960
2170	Due to other funds	-	196,000	-	-	-	4,350	154	-	-	-	-	266,959	-	467,463
2200	Accrued expenses	-	3,855	5,042	-	-	-	-	1,956	-	-	-	-	-	10,853
2300	Unearned revenue	-	-	-	-	-	-	-	-	13,779	204	108,007	-	-	121,990
2000	Total liabilities	-	219,481	54,661	-	8,454	11,350	154	17,133	13,779	204	108,007	266,959	6,113	706,295
3450	Restricted fund balance	-	-	-	-	1,787,532	-	-	-	-	3,388	-	-	-	1,790,920
3590	Assigned fund balance	-	-	-	-	-	-	-	-	-	-	-	-	384,380	384,380
3000	Total fund balances	-	-	-	-	1,787,532	-	-	-	-	3,388	-	-	384,380	2,175,300
4000	Total liabilities and fund balances	$ -	219,481	54,661	-	1,795,986	11,350	154	17,133	13,779	3,592	108,007	266,959	390,493	2,881,595

Discussion Draft

See accompanying independent auditor's report.

Exhibit H-2

Jarrell Independent School District

Combining Schedule
Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds

Year Ended June 30, 2026

Data Control Codes		208 ECSE Student Outcomes	211 ESEA Title I, Part A	224 IDEA-B Formula	225 IDEA-B Preschool	240 Child Nutrition Program	244 Effective Advising Implementation	255 ESEA Title II, Part A	263 ESEA Title III, Part A	289 Other Federal Grants	397 Advanced Placement Incentives	410 Instructional Materials Allotment	429 Other State	461 Campus Activity	Total Other Governmental Funds
	Revenues:														
5700	Local and intermediate sources	$ -	-	-	-	635,780	-	-	-	-	-	-	-	532,021	1,167,801
5800	State program revenues	-	-	-	-	15,201	-	-	-	-	1,728	372,363	269,410	-	658,702
5900	Federal program revenues	9,640	351,228	622,323	2,667	1,845,444	55,850	67,011	104,642	10,162	-	-	-	-	3,068,967
5020	Total revenues	9,640	351,228	622,323	2,667	2,496,425	55,850	67,011	104,642	10,162	1,728	372,363	269,410	532,021	4,895,470
	Expenditures:														
	Current:														
0011	Instruction	-	155,228	622,323	2,667	-	20,745	67,011	104,642	10,162	1,728	372,363	269,410	-	1,626,279
0013	Curriculum development and instructional staff development	9,640	-	-	-	-	35,105	-	-	-	-	-	-	-	44,745
0035	Food service	-	-	-	-	2,752,015	-	-	-	-	-	-	-	-	2,752,015
0036	Extracurricular activities	-	-	-	-	-	-	-	-	-	-	-	-	545,875	545,875
0052	Security and monitoring services	-	196,000	-	-	-	-	-	-	-	-	-	-	-	196,000
6000	Total expenditures	9,640	351,228	622,323	2,667	2,752,015	55,850	67,011	104,642	10,162	1,728	372,363	269,410	545,875	5,164,914
1100	Deficiency of revenues under expenditures	-	-	-	-	(255,590)	-	-	-	-	-	-	-	(13,854)	(269,444)
0100	Fund balance, at beginning of year	-	-	-	-	2,043,122	-	-	-	-	3,388	-	-	398,234	2,444,744
3000	Fund balance, at end of year	$ -	-	-	-	1,787,532	-	-	-	-	3,388	-	-	384,380	2,175,300

Discussion Draft

See accompanying independent auditor's report.

Exhibit J-1

Jarrell Independent School District

Schedule of Delinquent Taxes Receivable

Year Ended June 30, 2026

Last Ten Years Ended June 30,	1 Tax Rates Maintenance	2 Tax Rates Debt Service	3 Assessed Appraised Value For School Tax Purposes	10 Beginning Balance July 1, 2025	20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance June 30, 2026	99 Total Taxes Refunded Under Section 26.1115(c)
2017 and prior years	various	various	various	$ 107,829	-	2,642	835	-	104,352	
2018	1.0400	0.3800	1,079,866,706	22,906	-	1,217	445	-	21,244	
2019	1.0400	0.4525	1,243,315,578	24,957	-	1,159	504	-	23,294	
2020	0.9700	0.5000	1,458,760,476	28,115	-	4,123	2,125	-	21,867	
2021	0.9266	0.5000	1,663,103,042	60,183	-	8,596	4,638	(72)	46,877	
2022	0.8720	0.5000	2,123,347,157	40,752	-	3,492	2,002	(443)	34,815	
2023	0.8546	0.5000	2,855,529,898	70,886	-	3,405	1,989	(1,066)	64,426	
2024	0.6692	0.5000	2,944,557,304	78,845	-	(70,993)	(52,990)	(164,691)	38,137	
2025	0.6669	0.5000	3,320,848,402	952,538	-	92,463	70,131	(701,193)	88,751	
2026 (school year under audit)	0.6669	0.5000	3,305,911,818	-	38,576,685	21,490,045	16,119,007	271,921	1,239,554	
1000 Totals				$ 1,387,011	38,576,685	21,536,149	16,148,686	(595,544)	1,683,317	
8000 Total amount of taxes refunded										$ 71,164

Discussion Draft

See accompanying independent auditor's report.

Exhibit J-2

Jarrell Independent School District

Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Child Nutrition Program

Year Ended June 30, 2026

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Variance with Original Budget - over (under) Final Budget	Actual Amounts, GAAP Basis	Variance with Final Budget - over (under) Actual
	Revenues:					
5700	Local and intermediate sources	$ 560,250	558,250	(2,000)	635,780	77,530
5800	State program revenues	-	12,000	12,000	15,201	3,201
5900	Federal program revenues	1,707,830	2,571,020	863,190	1,845,444	(725,576)
5000	Total revenues	2,268,080	3,141,270	873,190	2,496,425	(644,845)
	Expenditures:					
0035	Food service	1,630,000	2,503,190	873,190	2,752,015	248,825
6030	Total expenditures	1,630,000	2,503,190	873,190	2,752,015	248,825
1100	Excess (deficiency) of revenues over (under) expenditures	638,080	638,080	-	(255,590)	(893,670)
0100	Fund balance, at beginning of year	2,043,122	2,043,122	-	2,043,122	-
3000	Fund balance, at end of year	$ 2,681,202	2,681,202	-	1,787,532	(893,670)

Discussion Draft

See accompanying independent auditor's report.

Exhibit J-3

Jarrell Independent School District

Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Debt Service Fund

Year Ended June 30, 2026

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Variance with Original Budget - over (under) Final Budget	Actual Amounts, GAAP Basis	Variance with Final Budget - over (under) Actual
	Revenues:					
5700	Local and intermediate sources	$ 16,500,000	17,250,000	750,000	17,015,265	(234,735)
5800	State program revenues	-	5,304,000	5,304,000	5,682,969	378,969
5000	Total revenues	16,500,000	22,554,000	6,054,000	22,698,234	144,234
	Expenditures:					
0071	Debt service	20,441,351	26,495,351	6,054,000	20,890,640	(5,604,711)
6030	Total expenditures	20,441,351	26,495,351	6,054,000	20,890,640	(5,604,711)
	Excess (deficiency) of revenues over (under) expenditures	(3,941,351)	(3,941,351)	-	1,807,594	5,748,945
	Other financing soucres:					
7916	Premiums on bonds	-	-	-	2,610,255	2,610,255
	Net change in fund balance	(3,941,351)	(3,941,351)	-	4,417,849	8,359,200
0100	Fund balance, at beginning of year	26,298,641	26,298,641	-	26,298,641	-
3000	Fund balance, at end of year	$ 22,357,290	22,357,290	-	30,716,490	8,359,200

Discussion Draft

See accompanying independent auditor's report.

Jarrell Independent School District

Bilingual Education Allotment
Program Expenditures
(Unaudited)

Year Ended June 30, 2026

Data Codes	Bilingual Education Allotment Program	Responses
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 allotment program?	Yes
AP7	List the total state allotment funds received for bilingual education allotment programs during the LEA's fiscal	$ 664,953
AP8	List the actual direct program expenditures for bilingual education allotment programs during the LEA's fiscal year. (PIC 25)	$ 368,519

Discussion Draft

See accompanying independent auditor's report.

Compliance, Internal Control and Federal Awards

Discussion Draft

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

Discussion Draft

The Board of School Trustees
Jarrell Independent School District:

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

Report on Internal Control Over Financial Reporting

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

_____, 2026

Discussion Draft

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Discussion Draft

The Board of School Trustees
Jarrell Independent School District:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Discussion Draft

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.

Our consideration of the 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. 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 may exist that were not identified.

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

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

_____, 2026

Discussion Draft

Jarrell Independent School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2026

(1) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- o Material weakness(es) identified? ___ yes _x_ no
- o Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes _x_ none reported

Noncompliance material to financial statements noted? ___ yes _x_ no

Federal Awards

Internal control over major programs:

- o Material weakness(es) identified? ___ yes _x_ no
- o Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes _x_ none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) ___ yes _x_ no

Identification of major programs:

Assistance Listing Number	*Name of Federal Program or Cluster*
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: $ 1,000,000

Auditee qualified as federal low-risk auditee? _x_ yes ___ no

Discussion Draft

(2) Financial Statement Findings

None

(3) Federal Award Findings and Questioned Costs

None

Discussion Draft

Jarrell Independent School District

Summary Schedule of Prior Audit Findings

June 30, 2026

None

Discussion Draft

Exhibit K-1

Jarrell Independent School District

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2026

(1) Federal Grantor / Pass-Through Grantor / Program or Cluster Title	(2) Federal Assistance Listing Number	(3) Pass-Through Entity Identifying Number	(4) Passed Through to Subrecipients	(5) Total Federal Expenditures
U.S. Department of Education				
Passed Through State Department of Education:				
Title I - Grants to Local Education Agencies	84.010	25610101246907	$ -	197,807
Title I - Grants to Local Education Agencies	84.010	26610101246907	-	162,203
			-	360,010
IDEA - Part B, Formula	84.027	256600012469076000	-	50,846
IDEA - Part B, Formula	84.027	266600012469076000	-	580,184
IDEA - Part B, Preschool	84.173	266610012469076000	-	2,799
IDEA - Improve Student Outcomes	84.173	246610047110001	-	9,640
Total Special Education Cluster			-	643,469
Career & Technical - Basic Grant	84.048	25420006246907	-	20,745
EAF Grant, Year 4	84.048	264200417110009	-	36,492
			-	57,237
ESEA, Title III, Part A	84.365	25671001246907	-	1,411
ESEA, Title III, Part A	84.365	26671001246907	-	107,848
			-	109,259
ESEA, Title II, Part A, Teacher/Principal Training	84.367	25671001246907	-	12,988
ESEA, Title II, Part A, Teacher/Principal Training	84.367	26694501246907	-	55,512
			-	68,500
ESEA, Title IV, Part A	84.424A	26680101246907	-	10,663
Total U.S. Department of Education			$ -	1,249,138
U.S. Department of Agriculture				
Passed Through State Department of Agriculture:				
School Breakfast Program	10.553	71402601	$ -	478,947
National School Lunch Program	10.555	71302601	-	1,679,314
Total Child Nutrition Cluster			-	2,158,261
U.S.D.A. Commodities	10.565	not available	-	49,293
Total U.S. Department of Agriculture			$ -	2,207,554
Total Expenditures of Federal Awards			$ -	3,456,692

See accompanying independent auditor's report and notes to schedule of federal awards.

Discussion Draft

Jarrell Independent School District

Notes to Schedule of Expenditures of Federal Awards

June 30, 2026

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Jarrell Independent School District (the "District") under programs of the federal government for the year ended June 30, 2026. The information in this schedule is presented in accordance with the 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"). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

(3) Indirect Cost Rate

Indirect costs amounting to $387,725 were claimed by the District for the year ended June 30, 2026, using the District's restricted indirect cost rate of 4.934% or unrestricted cost rate of 22.244%, as applicable.

Discussion Draft